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28 OCTOBER 1988



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DENMARK

Radical Liberal Congress Evaluates Party's Role in Coalition

Own Goals Asserted

36130006 Copenhagen BERLINGSKE TIDENDE
in Danish 19 Sep 88 p 7

[Article by Ole Dall and Terkel Svensson: "Radical Liberals' National Congress in Nyborg: Radicals Want To See Results"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The Radical dream of leading governments is a thing of the past. Getting results in the Conservative-Moderate/Liberal-Radical/Liberal government is now the issue. Self-awareness characterized the national congress.

"We're best served by keeping both feet on the ground."

The words from the Radical Liberal song book at the national congress in Nyborg said it all. Radical realism and self-awareness were key concepts when the party leadership was examined on the creation of the Conservative-Moderate/Liberal-Radical/Liberal government—and it passed.

At the party's national congress 2 years ago, Lone Dybkjaer said that the alternative to a four-party coalition government was a Radical government, and at last year's national congress Niels Helveg Petersen promoted himself as a possible prime ministerial candidate.

It was he who led the Radicals to defeat, and as a consequence hopes for a broad majority government also had to be scrapped.

The best thing for the country and the best thing for Radical influence, the party leadership says of the Conservative-Moderate/Liberal-Radical/Liberal government. "What's at issue now is getting real results out of the coalition government," Helveg Petersen said after the weekend national congress, at which critics of the Conservative-Moderate/Liberal-Radical/Liberal government, in the words of Peter Hvid, the party's national federation vice chairman, "didn't want to saw a hole in the boat when it was out sailing."

Niels Helveg Petersen was clearly relieved that his address was widely supported. The national chairman, Thorkild Moller, suggested at the same time that it had not been a personal wish on Helveg's part that he as an individual should be prominent in the campaign.

"It was our wishes and our strategy going into the election which led to the party's electoral strategy," Thorkild Moller said, adding that "there was talk about a personal sacrifice."

Niels Helveg Petersen has announced that he does not intend to return as Folketing group chairman when his term as minister ends. Marianne Jelved, the new group chairman, was very prominent and unbelievably popular attending her first national congress in a leadership role.

As expected, the national congress strongly stressed the Radical profile. Though the party may be in the government, its independence is central. The education minister's call for school fees was rejected outright. A large majority approved a resolution which stated clearly that "the government's proposal to introduce an educational tax of between 300 and 500 kroner on registrations for extracurricular and continuing education radically lacks perspective."

The party will work for more refugees from UN camps, and only 10 votes blocked approval of a resolution urging a temporary halt on the Great Belt project.

Self-awareness characterized the relationship with the Progressive Party. Marianne Jelved and Niels Helveg Petersen both regret that during the campaign Radicals said they would never deal with the Progressive Party.

Now the issue is about what and not with whom they will deal. At the same time, the political distance from list Z was brought up when Marianne Jelved spoke of the party's policy being "platitudes manufactured for the day's headlines."

The Radicals will work to see that the Social Democratic Party is brought into work on policy as much as possible, but the Social Democrats will get no veto power, they emphasize.

For that matter, remarkably little was said about the Social Democratic Party at the Radicals' national congress. "Loose talk," for example, was all Niels Helveg Petersen would say about Svend Auken's Saturday words of greeting to the congress. At that time the chairman of the Social Democratic Party said that Social Democrats agreed they can get along with Radicals, after which he criticized the Radical leadership for not having understood that "on major issues" the party "lies to the left of center."

Radicals are now clearly attempting to refrain from personal attacks. As one aspect of the self-awareness, Lone Dybkjaer said she was sorry that on television during the campaign she had accused Svend Auken of breaking promises. She thinks the accusation is correct but is distressed at having made a personal attack in the first place.

Despite disagreement over the Conservative-Moderate/Liberal-Radical/Liberal project, party secretary Jens Clausager could report a slight rise in membership since the formation of the government. Altogether three

Folketing candidates, two local association chairmen and one committee chairman have resigned their honorary offices. The party has 10,000 members.

Defense Modernization Too Burdensome

36130006 Copenhagen BERLINGSKE TIDENDE
in Danish 19 Sep 88 p 6

[Article: "Estrup: 'We Can't Afford Our Defense'"]

[Text] The technological pressure is so great that, in economic terms, it is not feasible to continue with the present structure of Danish defense, according to Jorgen Estrup.

Simply put, it is economically impossible for Denmark to maintain its defense given the present structure, in the opinion of Jorgen Estrup, the Radical Liberal Party's spokesman on defense policy.

He is also a member of the Defense Commission, which held its first meeting last Thursday.

"Drastic changes are needed in Danish defense. In the future, it will have a much greater defensive structure instead," Jorgen Estrup told BERLINGSKE TIDENDE.

He does not think it is possible for Denmark to maintain what he calls a Danish defense in a miniature version of the defense of larger countries.

"We can't keep on with arms technology alone," Jorgen Estrup said.

"We are under constant pressure from the defense people to modernize technology, which everyone sees will soon make budgets burst. This is quite untenable."

Jorgen Estrup stated that the defense structure is one of the most important problems about which the Defense Commission will make proposals.

Yesterday, in fact, the Radical national congress adopted a foreign and defense policy resolution proposing the Radical wish for a non-offensive defense structure and for not doing anything to defense spending while the Defense Commission is doing its work.

Newspaper Assesses Congress

36130006 Copenhagen BERLINGSKE TIDENDE
in Danish 19 Sep 88 p 12

[Editorial: "After the National Congress"]

[Text] Presumably Anders Fogh Rasmussen, the minister of taxes and public revenues, came with his thoughts about cutting taxes in order to give the leaders of the Radical Liberal Party a welcome opportunity to emphasize the need for the party's continued participation in the work of the government. Experiments with economic

policy have never harmonized well with Radical pragmatism. So it was in the absolute certainty he would be supported that Niels Helveg Petersen, the minister of economic affairs, in his address to the Radical Liberal national congress over the weekend, was able to come out against thoughts of tax cuts here and now. At that very moment, Radical responsibility gained firmer ground under its feet.

A significant damper seems to have been put on the divisions within the Radical Liberal Party. Determination has taken hold. Now the issue is making the best as possible out of the situation. This is the obvious conclusion. This is very much in keeping with the party's customary flexibility in practical politics. This is also true in relation to what the grass roots of the party ideally think the true lesson ought to be. The party's position in the center of Danish politics does not allow its standard to be lifted many centimeters above ground.

It was undoubtedly a bitter pill for many Radicals to swallow when Marianne Jelved, the chairman of the party's Folketing group, almost volunteered her services to the Progressive Party. Yet this will prove to be smart politics and the backing Marianne Jelved received in the voting at the national congress did not weaken because of this. The economic and policy disorder which has helped the Progressive Party to move ahead will not disappear by opposing the party but by opposing its *raison d'être*. And this is quite obvious. Foreign debt, the tax burden, and state bureaucracy and control have gone too far. This is what the people are against. At the same time, it is in these areas that the Radical Liberal Party has not been able to find any ally to the left of the center in Danish politics, and the opening of the Social Democratic congress seemed to confirm the impression that this party still does not have the will and the strength required to renew itself. On the contrary, it seems that viewing the public sector's built-in excellence will increasingly become a millstone around the neck of the Social Democratic Party.

The conclusion to the Radical national congress should be an even more energetic effort in favor of the policy of economic recovery which the Conservative-Moderate/Liberal-Radical/Liberal government has made its own. It is this economic policy, with its far-reaching call for reorganizing and modernizing at all levels of society, which is the glue binding the three coalition parties. In this respect, new thinking is precisely what the Radical Liberal Party cannot find by cooperating with the Social Democratic Party, and the Socialist People's Party's cautious reports of a new awareness are still shrouded in mist.

The national congress' decision to pass on the issue of educational fees cannot be alarming. The party is tied to a continuation of a tight financial policy and economic recovery. Alternative proposals will be welcome.

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Liberal, Progress Parties Hold Congresses

Progress Party Advances Kjaersgaard

36130009 Copenhagen BERLINGSKE TIDENDE
in Danish 26 Sep 88 p 7

[Unattributed article: "Progress Party Convention Advances Kjaersgaard"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Party founder Mogens Glistrup has really lost his grip on the Progress Party. Now it is Pia Kjaersgaard who is at the head of the party.

"All power to Pia Kjaersgaard."

That is the clearest message put out by the Progress Party's national convention in Viborg, which came to an end on 25 Sep 88. Party founder Mogens Glistrup has not only lost the struggle for power in the party's Folketing group; control of the party's executive committee has also passed over to the Kjaersgaard circle.

Pia Kjaersgaard is well on the way to occupying as solid a position in the Progress Party as the party's founder, Mogens Glistrup, formerly occupied.

Pia Kjaersgaard now has support from four of the seven members of the party's executive committee. Up until now, Mogens Glistrup, who is a life member of the executive committee, has had the majority.

But on 25 Sep 88, when Kim Behnke was picked for the executive committee, where he was the vice chairman, the power shifted over to Pia Kjaersgaard. Her political line has the support of the national chairman, Johannes Sorensen, the new vice chairman, Poul Lindholm Nielsen, Aage Brusgaard, and Peter Skaarup.

Mogens Glistrup has only two faithful supporters behind him in the executive committee. They are Anette Just and Ib Staehr.

The executive committee does not get involved in the Folketing group's work, but it, nevertheless, has great influence. For example, the executive committee decides what the electoral campaign pursued by the Progress Party is to be and who is to represent the party on TV.

There is hardly any doubt that that will be Pia Kjaersgaard in the future.

"Pia Kjaersgaard is not only a good ticket seller. She has also brought about more unification among the troops," the new member of the executive committee, Peter Skaarup, says.

Progress Party Electorate Profiled

36130009 Copenhagen BERLINGSKE TIDENDE
in Danish 26 Sep 88 p 10

[Commentary by 'Monitor': "Z Voters and the Distinctive Policy"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Progress Party voters are not specifically super-conservatives, but rather are Danes who are tired of politicians and intolerant toward people who are different, and so it is harder for the nonsocialist parties take up the fight against them if respectability and responsibility are to be preserved.

The Progress Party is moving ahead at full speed and the nonsocialists are reacting as expected. Now a more distinctive policy must be pursued. Perhaps it can be, too. But the question is: What policy is it that will be more distinctive?

The uncertainty about this is due to the Progress Party's voters. They are not automatically the most conservative of all the nonsocialist voters who now have found a party to vote for. So they can, and they hope to, win them back with a more distinctive nonsocialist policy. In the 1970's, election researchers had a lot of trouble understanding how the Progress Party voters could be more conservative than a lot of others. They never really figured it out. And history seems to be repeating itself. Again, it is something other than strong conservatism that stands out. Specifically, it is a certain weariness vis-a-vis politicians and a lack of tolerance toward people who are different. And here it is immediately harder for others to enter take up the fight against them if respectability and responsibility are to be preserved.

The accompanying table illustrates the problem. It shows the results of a voter survey carried out after the last election by research workers at the Universities of Copenhagen and Aarhus. The voters were asked how they had voted in the election and also whether they had considered voting for another party. By combining the actual Progress Party voters with those who had thought of voting for that party, a large part of Z's supporters can be covered, even though they fall short by a little bit. According to the latest opinion polls, the Progress Party has already gotten a good deal farther. If it continues at the same rate of speed as during the summer of 1988, every survey will be out of date after 2 months.

The table gives an important negative result. The Progress Party voters are not more conservative than other nonsocialist voters. That is most obvious on the question of whether the social cutbacks have gone too far. The Workers' Party's voters say "yes" and the nonsocialist voters say "no." The Progress Party voters fall right in the middle.

On other questions, they resemble the other nonsocialist voters more. That is the case where the question of keeping social security benefits at the present level is concerned. The Workers' Party's voters say "yes" very emphatically, while the nonsocialist camp has a few more sceptics, but there is always a clear "yes." And here the figures are almost identical for the Progress Party's voters and other nonsocialists. The situation is similar on the question regarding freedom for the business community. In the Workers' Party, a majority would like to have control over what happens, but the nonsocialist voters are looking for greater freedom. The Progress Party voters are doing that too, but not more or less than the other nonsocialists.

There is nothing new in that. In the 1970's, the Progress Party voters were not pronouncedly to the right of the other nonsocialist voters. One did not obtain an explanation for the Progress Party's success by simply thinking in terms of right and left and putting the Progress Party voters farthest to the right. And one doesn't get an explanation that way this time, either.

Other factors come into play. In the 1970's, the Progress Party voters were characterized a large amount of distrust of politicians. That is also the case this time. Thus, in the other nonsocialist parties and the workers' parties, a clear majority believe in politicians' competences. The majority may well have been larger. However, among the Progress Party voters, the majority has become a minority, and that process is being repeated on the question of whether the politicians make the decisions that are best for Denmark. Generally speaking, the nonsocialist voters think "yes" and the workers' parties' voters, in contrast, think "no." That is as could have been expected. What is noteworthy, however, is that the Progress Party voters, in spite of their general nonsocialist profile, are just as critical as the opposition's voters.

Distrust of politicians is combined today with distrust of foreigners. A colossal majority of Progress Party voters regard immigrants as a dangerous threat to Danish culture. Among the other nonsocialist voters, only a minority feel that way, and the same is true of the workers' parties' voters. And just as large a majority of Progress Party voters think the refugees must adapt to Danish culture, while the other voters sharing and not sharing that point of view are divided more equally.

It is the combination of "anti" attitudes that characterizes the Progress Party voters. Other calculations show that 39 percent of them disagree with the nice statement regarding politicians while at the same time they regard immigrants as a threat to our culture. Only 7 percent of the remainder of the body of voters agree on that. And if one takes the group directly opposite, the picture is reversed. Some voters do not regard immigrants as a threat and are not critical of politicians on both of the survey's questions. Outside of the Progress Party, those having that combination of softer attitudes actually constitute half (48 percent) of those responding, but among the Progress Party voters, it is only 10 percent.

This profile makes it questionable whether politicians can and should try to deal with Progress Party voters in areas where they really differ from other people, for the Progress Party voters are "anti" people. They are against politicians and against foreigners. By definition, established politicians can hardly join in the game of distrusting politicians, and antiforeigner views are not merely unpleasant. The politicians would risk reactions from their own voters. In the other parties' bodies of voters, it is only a minority that considers immigrants to be a threat, for example.

The situation has many points of similarity with the one in which the Social Democrats found themselves when the Socialist People's Party [SF] came into being. Then the left wing was not just a small minority, but instead, a dangerous competitor; and the Social Democrats did not profit very much by changing their policies in the direction of those of their competitor. And the more they cooperated, the more stubborn the SF became, and the more they repeated the SF's views, the more publicity the SF got. Nevertheless, the party apparently was right.

The nonsocialist parties run the same risk if they say that their opponent is right. On the other hand, there is something they can do immediately, and that is to abandon the distinctive "us too" policy. After the government was formed, the biggest event of the summer of 1988 was the row about the tax on interest. That collapsed with the explosion of the Progress Party's strength. And how many voters can now declare themselves in agreement with the survey's statement that politicians are competent people who know what they are doing? Many politicians have just said that they don't know.

If it should happen again, Pia Kjaersgaard will probably overtake Svend Auken.

Considered or voted for Z All other voters who voted in May
Conservative Party Workers' Party

Welfare Policy

The social cutbacks have gone too far

| | | | |
|-------------------------------------|----|----|----|
| Agree | 49 | 33 | 83 |
| Disagree | 49 | 59 | 14 |
| Do not agree with either/don't know | 3 | 8 | 3 |

A says: They have gone too far with social reforms here in Denmark. People should do without social security benefits and contributions from society more than now.

B says: The social reforms that now are being put into effect in Denmark should be kept at least at the same size as now.

| | | | |
|---------------------------------------|----|----|----|
| Agree mostly with A (less assistance) | 33 | 31 | 6 |
| Agree mostly with B (as now) | 57 | 61 | 91 |
| Do not agree with either/don't know | 10 | 8 | 4 |

Business Policy

A says: Businessmen and industrialists should have leave to make their own business decisions to a greater extent.

B says: The government should control and coordinate trade. In any case, government control should not be less than it is in present day Denmark.

| | | | |
|-------------------------------------|----|----|----|
| Agree mostly with A (less control) | 68 | 68 | 28 |
| Agree mostly with B (as now) | 26 | 27 | 63 |
| Do not agree with either/don't know | 6 | 5 | 9 |

Politicians

Most politicians are competent people who know what they are doing

| | | | |
|---------------------------------------|----|----|----|
| Agree | 46 | 59 | 55 |
| Disagree | 49 | 30 | 37 |
| Neither agree nor disagree/don't know | 6 | 10 | 9 |

As a rule, one can be confident that our political leaders make the decisions that are best for Denmark

| | | | |
|---------------------------------------|----|----|----|
| Agree | 36 | 59 | 37 |
| Disagree | 58 | 35 | 55 |
| Neither agree nor disagree/don't know | 6 | 7 | 8 |

Foreigners

A says: If refugees are going to live here in Denmark, they must adapt themselves to Danish culture and manners.

B says: Refugees should have the same right as other people to keep their own mode of existence and culture.

Agree mostly with A (must adapt themselves)
Agree mostly with B (keep their own culture)
Do not agree with either/don't know

| | | |
|----|----|----|
| 83 | 52 | 45 |
| 15 | 35 | 46 |
| 1 | 13 | 10 |

Immigrants constitute a dangerous threat to our national way of life

Agree
Disagree
Do not agree with either/don't know

| | | |
|----|----|----|
| 83 | 52 | 37 |
| 14 | 60 | 61 |
| 3 | 4 | 3 |

Number of people

| | | |
|----|-----|-----|
| 72 | 240 | 255 |
|----|-----|-----|

Progress Party Still Divided

36130009 Copenhagen BERLINGSKE TIDENDE
in Danish 26 Sep 88 p 10

[Editorial: "A Contentious House"]

[Text] The background was good enough. A veritable avalanche of voters for the benefit of the Progress Party in the last opinion polls could have made the party's national congress on 24-25 Sep 88 a real jubilee-type event. It didn't become such an event. The past is catching up with the party.

The Progress Party started unorthodoxically and pushed itself forward provocatively in its early years, not only through bills and its working methods in the Folketing, but also by its nontraditional party organization. There was talk about something spontaneous and antibureaucratic, and therefore no organization and no rules. A kind of enlightened autocracy, simple and straightforward, but quite un-Danish, was the model.

The Progress Party's national congress clearly showed the difficult process of changing from protesting to responsibility and compromise that must be undergone in a community. That makes it somewhat harder. Therefore many people felt unhappy and bewildered when they saw the crudeness of the draft of the economic program. It was just plain embarrassing. But, fortunately, there was something else to discuss: individual obstinacy, tactical maneuvers, and, above all, rules, just as can happen in homeowner's associations or in other parties. There is nothing derogatory or invidious in this. That is how a democracy works. But in the case of the Progress Party, they cannot avoid giving the impression that enrolling in the club for "old parties" is more than a formality. Possibilities for using the party's mandates in the Folketing for something sensible should be opened up by that means.

Liberals Reveal Frustrations

36130009 Copenhagen BERLINGSKE TIDENDE
in Danish 26 Sep 88 p 4

[Text] After 6 years in the government, many Liberal Party members constantly wish for perceptible results. The national congress was far from being a mutual admiration society.

"I myself asked that it should not be a mutual admiration society, and you can take it from me that it wasn't!"

In the business office of the Aalborg hall, Uffe Ellemann-Jensen, the chairman of the Liberal Party, was taking stock after 50 delegates had taken the podium at the national congress.

In the cornflower party, the debate was not such a mutual admiration society as characterized the Social Democratic congress a few days ago. After 6 years in the government, there were many Liberal Party delegates who wanted to express their dissatisfaction with the absence of nonsocialist involvement.

"Stiffeners of the Liberal Party" pushed forward over a broad front. Many of them say bluntly that the party should leave the government if certain goals are not achieved.

The top scorer in the executive committee election, stockbroker Torben Nielsen, spoke for that wing. On Sunday, 25 Sep 88, he said, in BERLINGSKE TIDENDE, that the party must get out of the government if the objective of saving 11 billion kroner in the 1989 budget is not achieved.

Folketing members Laue Traberg Smidt and Svend Heiselberg also belong to the group of "party stiffeners."

"When we meet next year, we must show concrete results that our voters will understand. Otherwise, we will be getting close to the time when we will be best served by saying 'no, thanks' to the cabinet members' automobiles," said Laue Traberg Smidt, while Svend Heiselberg searched for "the spirit of 1982."

"We have failed in a number of areas. It was annoying that it was under a nonsocialist government that we fell out over the serious economic situation. Foreign debt has doubled in 6 years. That fact must not be concealed," Heiselberg said.

Warning voices from VU members were also heard:

"Isn't the Liberal Party in the process of developing into a party that only promises and promises? And what is the result of that? A pitiful budget proposal," Thomas Voss said.

Agriculture continues to play a big role in the Liberal Party—such a big one that Uffe Ellemann-Jensen changed his manuscript, which did not mention that industry at all the first time.

But even though Minister of Agriculture Laurits Tornaes praised the refinancing arrangement, it was opposed by farmers among the delegates.

"We farmers do not say 'thank you' for that arrangement," said Jorgen Keller Pedersen from Grenaa.

Just as the Radical Liberal Party delegates demanded radical results from the Liberal Party-Radical Liberal Party coalition (KVR) government on 24-25 Sep 88, the message put out by the Liberal Party's national congress was a demand that the liberal profile should be seen somewhat more clearly.

Politically, Uffe Ellemann-Jensen's "farewell report to the government" to the Center Democratic Party and the Christian People's Party was a signal that the foreign minister himself would like to play the part of prime minister, through sensible handling of the nonsocialist parties, if the opportunity presented itself. Anyhow, that is how the two small nonsocialist parties take it, and Ellemann-Jensen himself confirms that, as party chairman, he has the ambition to become prime minister some time.

With many opinion polls that make the Liberal Party almost as big as the Conservative Party and give the nonsocialist parties a majority without the Radical Liberals, the idea of Ellemann-Jensen as prime minister cannot be thrown out right from the start after the next election.

Even though he encountered criticism from some delegates for his line on refugees, his popularity among party members continues to be great. The same thing is also

true of Deputy Chairman Anders Fogh Rasmussen. The party chairman said that he well understands the impatience in the party after 6 years of responsibility for the government.

"Being the governing party is hard on the party's profile," Ellemann-Jensen stated, and he said that the party leadership left the national congress with "strong backing for pursuing a consistent policy."

Talk of Quitting Coalition

36130009 Copenhagen *BERLINGSKE TIDENDE*
in Danish 26 Sep 88 p 10

[Editorial: "Last Call"]

[Text] Against the background of the debate in the week of 22 Sep 88 on reduction of taxation and cutting back the budget bill's additional expenditures, it was scarcely surprising that the Liberal Party's national congress happened to revolve around the economy. The governing party will not accept the Social Democrats' having much to do with the budget. Expenditures in 1989 are to be reduced to the 1987 level and so-called strategic reductions in the taxation of businesses are to be carried out. But it was admitted that there is no room for general tax reductions which increase private consumption. Thus, it was refreshingly ready to state emphatically that the Liberal Party-Radical Liberal Party coalition's (KVR's) main task is to get the problems concerning bringing about a financial balancing of the economy solved. There are other tasks, but there is none that omits straightening out the economy.

The toying with the idea of allowing the Liberal Party to resign from the government by many participants in the national congress does not seem to be a good idea in view of the alternatives. Replacement of the Center Democratic Party and the Christian People's Party by the Radical Liberal Party must be regarded as advantageous where both the economy and public finances are concerned. It should also not be overlooked that the Liberal Party itself, with the Ministries of Education, Health, and Taxes and Public Revenues, has direct access to the means of obtaining equilibrium in the balance of payments and a lower tax burden. The Radical Liberal Party's contributions from the Ministry of Social Affairs and the Ministry of Environment areas have not caused difficulties in that respect.

The Liberal Party's national congress raised expectations regarding the KVR's performance a bit—not just expectations on the basis of the concrete content of the opening speech, but also expectations regarding the legislative initiatives of the fall of 1988.

FINLAND

National Chamber of Commerce Chief Views Future EC Ties

36170002 Helsinki SUOMEN KUVALEHTI in Finnish
9 Sep 88 pp 16-18

[Report of interview with National Chamber of Commerce general director Matti Aura by Arja Piispa: "National Chamber of Commerce Has Come Out of the Shadows Into the Light of Day"]

[Text] Matti Aura, the general director of the National Chamber of Commerce, who has been raising his organization's profile and urging the nation to discuss issues for almost 3 years now, complains that we in Finland do not know how, nor does our government want, to discuss important issues.

Despite the fact that we talk a lot about European unification, we nevertheless do not understand it very well, Chamber of Commerce general director and attorney Matti Aura maintains. We do not discuss the most important, the political, aspect of the subject at all.

"We do not, of course, know for sure whether the European Community will succeed in achieving its goals by 1992 or at all, in general, but if it does succeed, our geopolitical position will be decisively changed.

"We are certainly capable of handling our economic interests, whether they involve selling finished goods or services, but we are not at all psychologically prepared for the future," Aura maintained.

"It may sound naive, but it seems to me that, if European unification is achieved even more or less as planned, the biggest change since World War II will take place in the political configuration of the continent. What will our strategic position be then?"

Aura was unwilling to say that Finland ought to join the European Community, but neither should it be argued that we will never join it.

In his opinion, it is not too soon either to begin discussing the alternative that Finland and possibly Switzerland would be the only countries to remain outside the EC and the CEMA. How will we feel when all of the rest of Western Europe has a common passport and completely open borders?

Government Is Silent

Aura suspects that it may be difficult to give rise to a discussion of the issue during the present administration. "This Conservative-Left government does not like to discuss issues, especially not political issues. It has certain taboo issues about which it will not talk. If an issue is, in its opinion, ideological in nature, it will not discuss it."

The Chamber of Commerce and Matti Aura had occasion to confirm the fact most recently early this summer when an attempt was made to kindle discussion on the privatization of state companies and agencies as well as the services. One half of the government adopted an angry, emotional stand on the issue, while the other half was silent about it.

"We were a bit sorry that we could not even achieve real discussion of the issue, but now it appears that our increased interest in the matter may have been successful after all," Aura said with relief, since both Minister Christoffer Taxell and opposition leader Paavo Vayrynen have developed the idea further.

"I'm only annoyed that the discussion seems to be raging solely about the state companies. It would, in our opinion, also be important to talk about services and, in a businesslike manner, compare public- and private-sector services in terms of their effectiveness, quality, flexibility, and usefulness.

Boldly Into the Ring

"We must not be afraid of discussion," Aura said, and demonstrated his own fearlessness by vigorously voicing his opinions on those issues on which he knows that many of "his employers," that is, members of his organization, are of a different opinion.

He has ideas and thoughts and is not afraid to express them. From the Adlon Building on Fabianinkatu, we have every now and then heard his original views on all sorts of economic issues during the more than 2 years that Aura has headed the Chamber of Commerce.

At first, we were surprised by this. We were not used to the Chamber of Commerce's publicly stating its views. But now we know with Matti Aura.

"What good is an organization that does not bring important issues to the attention of its members and that does not dare to take stands on issues?" he snapped.

However, arousing interest in discussion is not, in his opinion, the easiest way of handling things. One never knows where discussion may lead or whether the result will be positive or not.

"The Chamber of Commerce and I vigorously stirred up discussion on tax reform. Now I don't really know whether we ought to be proud of this or deny the Chamber's role in it," he laughed.

He did not, however, go any further with the discussion of his own organization's role and of overlapping activities with other economic organizations, rather stating matter of factly that the organization will obviously be necessary as long as members want to pay their dues.

Clannish Bunch

Aura is annoyed with the level of Finnish discussion, its superficiality, and its short duration. Too often the discussion comes to a sudden end at the beginning.

He is annoyed with many other Finnish traits, too.

"We are mentally slow on the uptake, clannish, and uncommonly ostentatious. We pick the best for ourselves and want only what is good for and of benefit to us in everything, but we are not prepared to pay the price for them," he reprimanded us.

"We think it's fine for Nokia to become the proprietor of a European business, but God help the Europeans if they come here!

"We speak of the liberation of foreign trade and other activities, we want to protect the competitive interests of our business firms abroad, but certainly we ought to see that the competition is coming here, too. We cannot close our borders to others if we want to keep them open to the outside world for ourselves.

"We have an unreasonable fear of the outside world, a biased, parochial attitude toward immigrants and foreign workers as well as foreign ownership—and then in addition we write this fear of ours into every law and statute. Whether it involves securities trading commissions, personnel funds, or foreign ownership, every new bill contains a clause that states that engaging in the activity is permitted Finnish citizens only."

A Europe in the process of integrating itself will not sanction such selfishness. It will demand equality and reciprocity.

Alternative Must Be Chosen

"We have just two alternatives," Aura said. "We are either members of the European Community or we are outside it. Since nobody in Finland wants to join the EC, or at least is actively promoting it, we are outside it, and we do not have a vote in the club."

If, however, we want to keep pace with progress, we must accept certain facts. One of these is the fact that we will have to conform to European Community decisions de facto. Our chances of influencing will inevitably be reduced.

Is that what we want?

Aura says that this is precisely what we should now discuss. Which is more important to us: our national independence in enacting our laws, or preserving our ability to compete in market areas that are important to us?

"If we are saying that we want to assimilate our laws and regulations to those of the EC, we should also be prepared to do so in actual practice. So far, however, it seems that our deeds do not correspond to our words. Here in Finland we make our own laws irrespective of others.

"A true desire for integration is put to the test in situations in which things disagreeable to oneself are accepted as well," Aura reminded us.

As he sees it, we have not even tried to unravel the problems of integration as concrete issues. In both the administration of the government and the economic world, we constantly run up against the difficulty that there are no people who are familiar with the EC countries' tax and securities systems, corporate laws, commercial legislation, and other essential matters.

According to Aura, integration will also mean an increase in healthy competition in our own domestic markets. The price levels of many products and services may drop, especially if consumers are smart enough to become more active.

During the next decade we will probably have to get used to foreigners as both workers and employers. It would be for us to begin to train ourselves for this by gradually increasing the number of immigrants and foreign workers and by easing up on our strict work permit policy.

"It's not as terrible as we think!"

11466

Poll Shows Social Democrats, Conservatives Leading

36170010 Helsinki *HELSINGIN SANOMAT* in Finnish
12 Oct 88 p 18

[Text] According to the latest released poll on party support, the Social Democrats and Conservatives are again in a tie for first place. The poll conducted by the M Information Center Institute indicates that support for both parties stands at 22.8 percent of the electorate. Accordingly, it appears that the Conservative Coalition Party has maintained the position it held in the last municipal elections, but support for the Social Democratic Party [SDP] appears to have dropped from the figure achieved in those elections.

The SDP and Conservative Party ranking has alternated in polls taken over the year, and their support levels have also been tied on earlier occasions.

Opinions for the M Poll were surveyed in late August and early September. The poll published by *HELSINGIN SANOMAT*-Gallup was taken a little later, at

the end of September. The HELSINGIN SANOMAT-Gallup poll showed that SDP was at 23.2 percent and the Conservatives at 22.7 percent.

According to the M Poll, the Center Party seems to have clearly increased its support compared with the last municipal elections, by almost two percentage points. Changes in support for the SKDL [Finnish People's Democratic League] and Deva [Democratic Alternative] are difficult to evaluate, since in the last municipal elections the present Deva forces were only partly on the own candidate lists, and most were on the SKDL lists. There were no large swings in total support for the Communists. Moreover, support for the minor parties showed few changes.

The M Institute gives parties the following support percentages (1984 vote result in parentheses): SDP 22.8 (24.8), SKDL 9.3 (13.2), DEVA 4.3 (0.7), Conservative Party 22.8 (23.0), Center Party 20.8 (19.1), Rural Party 5.0 (5.3), Swedish People's Party 4.9 (5.1), Finnish League 2.5 (3.0), Liberal Party 1.3 (1.2), Finnish Retirees Party 1.1 (-), Constitutional Party 0.1 (0.4), Greens and other groups combined 5.1 (4.2).

Political analyst Pertti Tomonen stated that the SEURA magazine's polling organization confirms that "the Conservatives are straining, the Center Party is congealing and the Social Democrats are always having difficulties." On the other hand, the Rural Party, Deva, and the Christians have much to be surprised about in his view.

/08309

Finnish Communist Party in Quandary Over Romania

36170110a Helsinki HELSINGIN SANOMAT
in Finnish 20 Aug 88 p 15

[Commentary by Janne Virkkunen: "Consistent Moralizing by the SKP"]

[Text] Nicolae Ceausescu's Romania is nowadays quite out of favor among Finns, and rightly so. Romania continues to discriminate against its Hungarian population of about 2 million people, and it's about time for it to be called to account for its policy.

Early this year Finland dismissed, diplomatically and politely, an Omani attempt to gain invitation for its leader for an official state visit. The political parties that have maintained contacts with the Romanian Communists have cooled relations, though not completely severed them.

The Finnish Communist Party felt obliged to send a letter to the Romanian Communists expressing its concern about "the prevalent state of affairs and the fact that it is impeding mutual relations between the two socialist countries of Romania and Hungary and their Communist Parties."

In the SKP's opinion, this is no longer a problem between the two countries but "has an adverse effect on the cooperation between all Communist parties as well as on the credibility of all forces working for democracy."

The course of action chosen by the SKP is extremely unusual. The last time the SKP publicly interfered with internal affairs between other socialist countries was in 1968 when it condemned the occupation of Czechoslovakia.

Criticizing Romania and its ruling Communist Party—for this is what the letter amounts to—was not a very easy thing to do and demanded serious deliberation for at least two reasons.

First, Ceausescu's party supported the Finnish Communist Party when it was under threat of being expelled from the international Communist movement. By condemning the Romanian Communist Party the SKP offended an old friend, regardless of whether the friendship is considered tactical in nature or otherwise.

Second, by sending the letter to the Central Committee of the Romanian Communist Party, the SKP contradicted the principle it has upheld and repeatedly emphasized itself, namely that the internal matters of each Communist party are inviolable.

The paradox is that, during the intense internal struggles of the SKP, the party's majority faction appealed frequently to the principles of the international Communist movement and stressed that it had the right to settle its own affairs without interference from the Soviet Communist Party.

However, it is remarkably consistent for the party that is generally very eager to make public statements against injustice to be capable of doing the very same thing when oppression occurs in Europe and on its own ideological turf.

We can hope that the SKP's example will encourage those organizations and activists that have asked for a show of solidarity in the matter of Outokumpu's interests in Chile, as well as those towns that maintain contacts with Romanian towns to recognize oppression where it exists, and to draw conclusions in doing so.

13421

Taistoites Elect New Chairman, Secretary

Kajanoja Elected New Chairman

36170109 Helsinki HELSINGIN SANOMAT in Finnish
27 Aug 88 p 6

[Article by Matti Virtanen: "Taistoites Celebrate SKP's 70th Anniversary"]

[Text] About 4000 minority Communists celebrated the 70th anniversary of the SKP in the Kupittaa stadium in Turku on August 28. The celebration was preceded by

the 2-day party conference where resolutions were adopted for the development of the SKP Unity's platform.

The new party chairman Jouko Kajanoja was the center of attention. He was congratulated with flowers on Sunday morning, but afterwards he had to listen to critical speeches by the representatives who had supported Esko-Juhani Tennila for chairmanship.

Marjo-Riitta Markus from Lapland reminded the conference participants of the unsuccessful campaign of Kajanoja as the Democratic Alternative [DEVA] presidential candidate. "What did we learn from it? Obviously nothing at all. The party leadership still does not trust the ability of its members to think for themselves."

Kajanoja did not allow Tennila's supporters to spoil his day. His speeches both in the party conference and in the Kupittaa celebration got a reasonably enthusiastic reception as he quoted the Kalevala folk hero Vainamoinen to bring light-hearted relief to the splitted communist movement:

"No, the heroes have not perished,/Kaleva's great race has died not,/When one dies, is born another,/And the best of staves they carry,/Longer sticks to sound the water,/And their nets are twice as fearsome."

Kajanoja encouraged his comrades to find for themselves "those better staves and more fearful nets" in order to put new force in the Finnish left. He expressed the hope that cooperation between the Communists and Social Democrats will improve.

Kajanoja would like to see a campaign against the "new right." He intends to use as models West Germany and Britain, where social democratic labor parties have become more radical while in opposition.

"It can happen also here," Kajanoja mused. He hopes that the armament buildup and internationalizing capitalism will invariably create such serious problems that the Social Democrats will not manage without help from the Communists.

"We have to recognize the advances the Social Democrats have made, for example, in advocating peace. Also, our criticism in current internal policy matters should not focus on the Social Democrats but the capitalists and the Conservative Party," Kajanoja advised his troops.

According to Kajanoja, the Communists have been in the habit of proceeding on a trial and error basis. In order to avoid errors, the party should establish its own research and study institution.

As a practical example of a new approach Kajanoja noted the recent proposal to make the Saimaa Canal region a free trade area. This idea, proposed by the SKP Unity and DEVA, is so new that the Soviet Union has not had a chance to make any decisions about it.

"It is a question of a new kind of area that does not yet exist and it brings new prospects for both Finland and the Soviet Union," Kajanoja explained at the press conference.

Another proposal presented in the party conference was for a new cooperative body that would incorporate the labor union movement into the cooperation between Finnish and Soviet citizens. However, establishing such a cooperative body was considered to be a task for the Finland-Soviet Union Society.

During the conference, an audience member sent Kajanoja a note, written to cheer the new chairman. In it was a quotation from Vaino Linna's book "Under the Northern Star," where a character, Vikki Kivioja, bursts out: "Damn it, how I love this socialism stuff!"

"It's this kind of boisterousness that would be good for us, too," Kajanoja said.

Another aspect of the Taistoite new approach' is to attempt to attain party unity through political work, not by knocking on other communists' doors.

A visiting Soviet dignitary, the first secretary of the Leningrad Regional Committee, Anatoli Gerasimov, recommended conciliatory attitude. He wished the party "success in closing the ranks" and quoted a former Finnish communist leader Ville Pessi: "One must not boast about belonging to the Communist Party. Only work and practical activities will at the end prove who is who."

Absence Makes the Heart Grow Fonder

The new chairman of the Taistoite communists' SKP Unity, Jouko Kajanoja, 45, is no novice in high places, having held among other positions those of the assistant director of the Regional Development Fund, the managing director of the National Land Settlement Board, the Minister of Labor and, most recently, that of the general secretary of the SKP Unity.

Kajanoja also served as the SKP chairman for about two years in the early 1980's until the majority faction concluded that he had given in too much to the minority led by Taisto Sinisalo. The Taistoites were expelled from the party in 1985.

That did not discourage Kajanoja. He did not even lose his faith this year in January when he garnered less votes [in the presidential election] than anyone expected.

Since the electoral failure, attempts have been made to brand Kajanoja as a perennial loser, the Knight of the Rueful Countenance, but it seems that neither of these characterizations have stuck. In his speech on Sunday [August 28], Kajanoja was back on his favorite stomping ground with undiminished gusto.

The main topic was the unity of the SKP, or rather its absence. Kajanoja said he was astonished to hear the SKP chairman Jarmo Wahlstrom declare that the leadership choices made by the SKP Unity will speed up the return of Taistoites to the majority party.

"It was a sign of weakness on Wahlstrom's part," Kajanoja surmised, refusing to believe that the hesitancy of some SKP Unity district organizations to go along with the chairmanship choice was a sign of a major problem. "Nobody walked out of the election hall with fists hidden in their pockets."

International concerns also occupy Kajanoja's mind. He admits that the communists have misjudged the evolution of capitalism: It has not sunk in the "crisis" that was still a constant topic of discussion in the early 1980's.

"The economies of the capitalist countries have done better than we expected. The state of crisis still prevails, but it is more complicated than before, its most noticeable sign being maybe the growing indebtedness of the developing countries," Kajanoja surmises.

His broad smile fades, and two deep furrows form on his forehead as the discussion shifts to European unity. "I am concerned that the Communists will not keep up with this development."

It is very important in Kajanoja's opinion that Taisto Sinisalo continues as a member of the Politburo. The smile comes back to the new chairman's face. "It is always advisable to ask Taisto as well as all other wise people for advice."

General Secretary, a Member of a Collective

The new general secretary of the SKP Unity, Yrjo Hakanen, was the most sought-after man in the Turku proceedings. He was the chief organizer of the happening "The Red August," and the party officials had to again and again make apologies for not being able to locate the general secretary.

Hakanen wandered around the festivities area in Kupittaa with a walkie-talkie in hand, giving orders here and there. Almost everybody wanted to consult him about something. After the main event was over, the freshly baked communist leader treated himself to a bottle of soft drink.

Hakanen, who recently had his 36th birthday, has climbed up the political ladder without much hullabaloo. He made his start in school and university politics in the

1970's, studied political science, worked his way up in tedious organisatory tasks—and always remained faithful to Taisto Sinisalo's policies.

Among other things, Hakanen has served as Sinisalo's political secretary and as an editor of *TIEDONANTAJA*. His master's thesis was on Urho Kekkonen's political thought, and his book on Kekkonen a few years ago prompted interest also among the bourgeoisie.

Kajanoja and Hakanen are unlikely to have communication problems. Both have their master's degrees in political science, and both are products of academic homes, Kajanoja's father being a professor and both of Hakanen's parents architects.

Uncharacteristically for a politician, Hakanen is modest and intends to continue on his course one deliberate step at a time even in the role of the general secretary. "I am a member in a collective. I don't want to be a Secretary Premier."

However, it is not that Hakanen has no plans and expectations for the future. He admits to believing quite seriously that the SKP 22nd representatives' meeting two years from now can be made to bring together all communists and reunify them.

He justifies this by pointing out that the current situation is disadvantageous for all communists. "Such meeting is clearly necessary. There is enough proof of negative consequences of the current split." Hakanen says he hopes to meet soon with the SKP general secretary Helja Tammisola and with other communist leaders.

There are also other matters Hakanen would like to take up with Tammisola: "It is altogether unnatural that the communists do not discuss between themselves their stand on the economic stabilization solution." The SKP Unity's new general secretary holds the view that "we should get rid of the present government as soon as possible."

Stalinists Continuing Same Path

36170109 Helsinki *HELSINGIN SANOMAT* in Finnish
30 Aug 88 p 12

[Editorial]

[Text] The rise of Jouko Kajanoja to the post of new chairman for the expelled faction of the Communist Party—the so-called Taistoites—delivers an unambiguous political message. The SKP Unity is sticking to its old unyielding position, which originally led to the formation of the two separate communist parties. Any expectations for possible thaw in relations between the majority and minority factions can be shelved for a long time.

Both the majority and minority factions have recently elected new leaders. Arvo Aalto resigned early in the summer from the chairmanship because of the investment scandal within the party, and now Taisto Sinisalo has given up the leadership of the minority faction. The resignation of the main symbols of the split opened up a chance for reunification, but it soon slipped by.

Kajanoja's rise to the top of the SKP Unity makes for the final barrier against unification in the immediate future. As far as the majority is concerned, Kajanoja was the worst possible alternative, maybe even worse than Sinisalo himself. During his chairmanship in the SKP, Kajanoja completely lost the trust of Arvo Aalto's supporters. After he was discharged, Kajanoja, embittered, defected into Sinisalo's camp. In the majority's opinion, he is classified as a renegade who is quite incapable of cooperation.

In his new political camp, Kajanoja rose to the post of general secretary of the SKP Unity and became its presidential candidate. Now he is the party chairman, Sinisalo's successor. His poor showing in the presidential election did not become an impediment to chairmanship, proving that the SKP Unity's choice of chairman was not a matter of personalities but a clear definition of policies. The SKP Unity remains under the tight grip of Sinisalo, who continues as a member of the Politburo, and his supporters. The leadership choices went exactly as the Politburo wanted. Also the new general secretary, Yrjo Hakanen, is a determined Taistoite.

The communists who, supporting Esko-Juhani Tennila, wish for unification are clearly on the defensive. Tennila was voted for the chairmanship only by three district organizations out of the total 17, and he did not venture to have his support put to test in the party conference but settled for the offered position of the deputy chairman.

Jarmo Wahlstrom, who is at the helm in the SKP, is continuing Aalto's policies. As both parties continue to stick to their earlier positions, the only way to recapture the SKP's political strength is through the return of the "emigrants" to the main party. However, this will be a cumbersome and slow process. It is likely that Kajanoja's chairmanship will speed up defections from the SKP Unity, but it is questionable whether disappointed minority members will reconcile themselves to accepting new party cards very readily.

Majority Party Chairman Comments

36170109 *Helsinki HELSINGIN SANOMAT* in Finnish
31 Aug 88 p 12

[Text] In the opinion of the Finnish Communist Party chairman Jarmo Wahlstrom, the leaders of the minority communist SKP Unity were not sincere in speaking about the unification of communists in their party conference in Turku.

"Unfortunately their words quite contradict their deeds. They talk voluminously about unification but only in order to bluff the Communists both in Finland and elsewhere," the SKP chairman remarked in an interview in Kuopio on August 30.

In Wahlstrom's opinion, the leadership of the SKP Unity is not capable of discussing openly the question of whether it makes sense to continue any longer with separate activities. "Rather the contrary: they put more emphasis on their own, separate activities and even maintain that this promotes chances for unification. Their way of reasoning is similar to maintaining that an armament build-up promotes peace," Wahlstrom stated.

He also expressed desire that the Communists who do not belong to the party should come along to party activities and participate in the preparations for the next representatives' meeting. The SKP "does not ask for a show of apologies or penances from any communist who sincerely wants to join party activities either as a new member or as an old one," he said.

There are also no obstacles to party membership. "Decisions on expulsion from the party can be reconsidered if there no longer is any pertinent reason for expulsion. And if a group no longer participates in the activities of a separate faction, no reason for expulsion exists," Wahlstrom stated.

He pointed out that there are differing opinions in the party but that this does not constitute a reason to establish separate factions within the party. It is not feasible for two parties to function within one party. "For this reason, we will not make any agreements with factions," Wahlstrom explained.

Newspapers Around Country Comment

36170109 *Helsinki HELSINGIN SANOMAT* in Finnish
31 Aug 88 p 14

[Editorial Roundup]

[Text] The editorials in the Tuesday [August 30] papers were inspired by the meeting last weekend of the SKP Unity, the so-called Taistoites. The SKP Unity elected as their chairman Jouko Kajanoja, and the long-time chairman Taisto Sinisalo resigned.

ETELA-SUOMI, an independent Kotka newspaper, expressed the opinion that Sinisalo's and Arvo Aalto's resignations will not foreshadow new organizational unity for the Communists.

"The changes in the leadership may create somewhat better contacts for discussions but the differences of opinion among the Communists are so ingrained that what is needed is an entire generational turnover before we can expect in Finland any possibility of creating a

single, relatively uniform communist party. But the question of how large a number of supporters the party will then have is quite another matter."

"The SKDL/SKP had in its heyday a total of 50 Parliament representatives, but presently there are only 20."

"The left, and especially communists, do not have much pull nowadays. But individual minority members will probably begin to feel as irresistible the pull of the old majority party."

What happened in Turku revealed in the opinion of ILKKA, a Center Party newspaper published in Seinäjoki, that the SKP reunification process is starting. The newspaper predicts that Kajanoja now will have an opportunity to achieve what he could not achieve as the SKP chairman.

"Kajanoja's appeal for the reunification of the communist parties is a serious one. The possibility propounded by the majority faction that individuals may return to the main party will soon have to be put to rest."

TURUN SANOMAT, an independent Turku newspaper, believes that Kajanoja has been branded as a sincere loser.

"There was talk in the minority faction conference of a 'new approach.' This is a borrowed concept, and the 'new' contains mostly old and familiar stuff, even if it is presented more pompously than before. What was new in Turku was the softness with which old ideas were marketed—the old fighting spirit and defiance were no longer there."

"SKP chairman Jarmo Wahstrom proved himself a realist in stating that the election of Kajanoja will be an impetus for a return of minority communists to the SKP. The SKP's doors have been held open for minority communists' return, not as party organizations but as individual members."

"It is indeed quite likely that a communist reunification will take place under Kajanoja's leadership. The way it will happen is that the SKP Unity will wither away through two natural processes—some members will move back home to the mother party and the older members will retire."

13421

Communist Workers' Party Attacks SKP Unity's Stand

Hits Reunification Appeal

36170110c Helsinki HELSINGIN SANOMAT
in Finnish 29 Aug 88 p 11

[Text] The SKP Unity's internal opposition, the Communist Workers' Party [KTP], takes a strong stand against the Unity's appeals for reunification of the Communist Party. Such appeals, according to the opposition, give the impression that the SKP Unity's ultimate goal is its own extinction.

The opposition has given the nickname of "Extinguisher of the Party" to Jouko Kajanoja, the newly elected chairman of the SKP Unity. The Communist Workers' Party proclaims that it will continue as an independent party. Joining with the SKP is completely out of the question, because the SKP does not hold the socialist ideology in the highest regard. The Workers' Party makes an appeal to all honest communists, inviting them to join its ranks.

The Communist Workers' Party, KTP, was founded last spring. Its members intend to enter the upcoming local elections in an alliance with the Taistoite electoral party, the Democratic Alternative [DEVA].

Registering as Party Weighed

36170110c Helsinki HELSINGIN SANOMAT
in Finnish 30 Aug 88 p 11

[Text] The Central Committee of the Communist Workers' Party, the so-called Kainuists [named after the north-eastern geographical area of Kainuu] had on its August 28 agenda a discussion on whether the group should be entered in the formal party register. The public communique on the meeting does not make clear whether any action has been taken regarding these plans.

The party's Central Committee criticized the current tax reform, claiming that it favors high-income groups. The Central Committee also attacked the stabilization agreement and encouraged the "comrades at workplaces and in labor union branches to show they do not go along with this kind of agreement."

The Central Committee believes that, in the next two years, a number of Taistoites will return to the SKP. Yet, the KTP holds as the ultimate goal the unity of all communists and the entire labor movement, as this is the means of bringing about a Socialist Finland.

"Today the ideological differences that stand in the way of unity are so great that talking about formal unity is completely unprincipled," the communique states.

The KTP urges all "genuine communists who are involved in the movement around TIEDONANTAJA" to join forces with the party, as the SKP has regressed down "to party political maneuvering with other political parties."

The KTP supported the economic boycott propounded by the AKT [Union of Truck and Transportation Workers] against Outokumpu and demanded that the government rescind its decision to back the [Chilean] copper mine venture.

13421

SKP Unity Deputy Chairman Tennila Named by SKDL To Sit on Panel

36170004 Helsinki HELSINGIN
SAMONAT in Finnish 5 Oct 88 p 14ba

[Text] The Finnish People's Democratic League's [SKDL] Executive Council made a historic decision in its meeting over the weekend. The Executive Council named Taistoite Communist MPs Esko-Juhani Tennila and Marjatta Stenius-Kaukonen to serve as members of the working group preparing next spring's Leftists Forum. "They were invited and they agreed to serve." This acceptance by Tennila and Stenius-Kaukonen is considered within the SKDL as a clear promise of a return [to the SKDL], since their own Taistoite party has not yet been involved with arrangements for the Leftist Forum.

/08309

Revolutionary Communist League Still Likes Stalin

36170110b Helsinki HELSINGIN SANOMAT
in Finnish 2 Sep 88 p 12

[Text] The diehard Stalinists who have become disappointed with both the Finnish Communist Party and with the minority faction SKP Unity as well as with the Communist Labor Party of the Kainuu region are being treated to some up-to-date reading in the newspaper VOIMA of the Revolutionary Communist League. Its most recent issue includes Joseph Stalin's article "Questions of Tactics and Strategy of the Soviet Communists," previously published in PRAVDA on 14 March 1923. Among other things, Stalin reveals that "in trench warfare, cavalry is of no consequence—it's the heavy artillery and air force together with gas and tanks that make all the difference."

13421

FRANCE

Highs, Lows of PCF in Recent Cantonal Elections

35190004b Paris QUOTIDIEN DE PARIS
in French 27 Sep 88 p 6

[Article by Sylvie Vormus: "And the Communists Struggle To Tilt the Odds..."]]

[Text] "PCF: Another Gain." Under this headline, tinged with unaccustomed humility, yesterday's L'HUMANITE announced to its militants the consolidation of the Communist Party and its 13.39 percent.

An event ranking a lowly third in the hierarchy of concerns of the top leaders at Place du Colonel-Fabien, if one is to believe the statements issued as early as Sunday night by Georges Marchais and Andre Lajoinie, who, in unison, dwelt first on the "consolidation of the Right," then on a "Socialist Party setback."

Clearly, the word is first of all: Caution. As was also the case following the June legislative elections, which marked the first stemming of the PCF's electoral hemorrhage (11.3 percent versus 6.8 percent in the presidentials).

Caution because Place du Colonel-Fabien knows for a fact that local elections where the Communist notables have gained a credibility in inverse proportion to the party's loss of confidence at the national level are rather favorable to the PCF. This truth is valid, moreover, regardless of the nature of the Communist "sensitivity," be it renovative, critical, reconstructionist, etc. Marcel Rigout was elected without any problem whatever in Haute-Vienne. The scenario was the same for Antoine Martinez at Bedarieux in Herault (over 54 percent of the votes), and Daniel Buchini in Corse du Sud. On the other hand, in Meurthe-et-Moselle, at Dieulouard, Alain Amicabile, formerly of the Juquin team, has been unable, to date, to unseat the local orthodox Communist, while Colette Goeuriot, who is close to Marcel Rigout, and who ran on the PCF ticket in the canton of Briey, was hard put to win back the seat she lost to Socialist Jerome Tonin in 1982.

Not as Well as in 1982

Then, moderation. For, it is difficult, even for the PCF, to not be buoyed by a high rate of abstentions which unquestionably benefits this party of rigorous militant discipline. Yesterday, Henri Emmanuelli rightly attributed the PCF's gain to "a very intensive mobilization of its electorate" while "the others were less mobilized." "To judge definitively" the strength of this thrust, the number two of the PS is awaiting "the final accounting in terms of the number of votes."

And sobriety. For, while the PCF posted a gain with respect to this type of election (12.60 percent in 1985), it has actually lost ground if yesterday's result is compared to that of the 1982 cantonal elections involving the same cantons, which was 15.9 percent. The PCF's results are, to say the least, contrasty. Nevertheless, some general trends can be discerned, bearing in mind that every rule has its exceptions:

—The PCF is consolidating its positions in the Paris region, particularly in Seine-Saint-Denis and Val-de-Marne where it is actually gaining, two departments where the rate of participation is even less than the national average. But in these departments, the incumbent Communist presidents of the township councils, Georges Valbon and Michel Germa, are having to stand again as the favorites in a run-off election.

—The Communist Party is holding its own or strengthening its now essentially urban bastions. This is true at Longwy, Ales dans le Gard, Saint-Etienne (Paul Chomat's constituency), Vennisieux, and the Aube. In Bouches-du-Rhone, particularly in some of Marseille's cantons, the PCF is experiencing a dramatic surge. In Isere,

six incumbent councillors are standing again as the favorites in run-off elections notes faithless L'HUMANITE, pointing a finger at traitor Tazieff. In Cher, Jean-Francois Deniau's department, the PCF went for three Right-leaning cantons...lost two of them but held on to Bourges, whose Communist mayor is Jacques Rimbault.

—An inversion of the ratio of forces between the PCF and the PS is taking place in several cantons. A case in point, among others, is Alpes-de-Haute Provence, a department which, by the end of the second round, could end up having swung over to the opposition. At Entrevaux, the incumbent president, Ernest Don, was beaten by the Communist candidate. In Essonne, an identical manifestation of the slippage in the PS-PC ratio. In Charente, on the other hand, the Communist Party lost its only canton, Aytres, to the Socialist Party. The same up-and-down pattern characterized Seine-Maritime.

—When renovative Communists oppose orthodox Communists, the former win against the latter in most cases. This was borne out at Amiens, in Drome, and in Haute-Corse.

The Communist Party is now eyeing the election procedural reform being proposed by Pierre Joxe.

—Every speeding or slowing of the PCF's downhill slide becomes another chip in the bargaining over joint PCF-PS tickets in the coming March municipal elections. And into the ears of the top leaders at Rue de Solferino the top leaders at Place du Colonel-Fabien are quietly whispering: The choice is between the unfortunate "open platform" candidates on the one hand, and us lucky ones on the other. It is yours to make.

9399

Experts' Reasons for High Abstention Rate in Cantonal Elections

35190004a Paris LE FIGARO in French 27 Sep 88 p 7

[Report on group discussion led by Philippe Habert for LE FIGARO with five political experts: "Lessons Drawn From the Voting"; first paragraph is LE FIGARO introduction]

[Excerpts] Why did so many voters shun the urns? Is the political landscape changing? What is behind the resurgence of the PCF [French Communist Party]? And why the decline of the National Front?

These are some of the questions the French are asking today. Philippe Habert, who heads LE FIGARO's Department of Political Studies, asked five political experts—Francois Goguel, chairman of the board of the Paris Institute of Political Studies, Jerome Jaffre, manager of SOFRES [French Opinion Polling Company],

Jean-Luc Parodi, professor of political science, Hugues Patelli, also a professor of political science, and Colette Ysmal, manager of research at the National Foundation of Political Science—to explain the meaning of the vote—the most "abstentionist" since 1931.

[Question] Why so many abstentions?

[Answers]

Francois Goguel—This high rate of abstentions reveals a perplexity among the voters vis-a-vis the Left. The electorate is at a loss as to whether there may actually have been, or not been, an opening to the Left. The lines that separate the Left from the Right are becoming increasingly blurred, and people are therefore confused.

Jerome Jaffre—It is the combined effect of repeated electoral Sundays and the depoliticization of the issues. That said, there are marked differences between the rural cantons—where the county councillor is well known and highly influential—and the urban cantons—where the county councillor sometimes does not even know the boundaries of his or her jurisdiction. The causes of abstention in this type of voting are, first of all, sociological. And to these must be added, in the present case, political ones—namely, the absence of the Government as an issue and the abatement of ideological battles.

Jean-Luc Parodi—On the one hand, these elections were held late and on the heels of a number of other elections. On the other hand, sights were lowered and issues "denationalized" for this election. Nothing was done, either by the majority or the opposition, to portray them as of national importance. Nor, for that matter, was anything done by the media. After the intensely ideological confrontations of past years, these elections were just as intensely nonconfrontational, in the sense of Siegfried's proposed distinction between combative elections and mediatory elections.

Hugues Portelli—There's no question that an essential factor in accounting for the widespread abstention has been the succession of elections, which has generated apathy among the voters. However, a second factor cannot be discarded, and that is, the way in which the parties conducted their cantonal election campaigns: Their "depoliticization" of the issues, the absence of any apparent scope, weighed negatively. On the Right, the incumbent notables, who exercised majority control in two thirds of the departmental administrations, could not campaign against the Socialist Government, as in 1982, because of the extreme moderation of the Rocardian policy. On the Left, the PS [Socialist Party], in power in Paris, and in the opposition at departmental levels, found itself out on a limb: The solution would have been to define a strategy of local politicization against the "departmental majorities." It was unable or uncertain as to how to do this, and so failed to mobilize its June voters.

Colette Ysmal—Three factors led to the increased rate of abstentions. The first was the pile-up of elections, which wearied the voters. The second was the absence of a sense of national scope. The third was the emptiness of the political debate.

[Question] How do you evaluate the Rightist-to-Leftist ratio among the electorate?

[Answers]

Francois Goguel—Half and half, as usual; no significant change. Altogether, it is about evenly matched. This shows that the election of Francois Mitterrand was not a veer to the Left by the electorate but rather its choice of a personality. The presidential majority is not a Leftist majority. As for the UDF [French Democratic Union]/RPR [Rally for the Republic] ratio, which favors the UDF, it is a classic one, in that the RPR is a far more prefigured organization; and in this kind of local election, the voters identify more easily with moderate parties.

Jerome Jaffre—The Rightist/Leftist ratio is very close to being a balanced one, as in the 1982 cantonals and last June's legislative ones. This result is not one to write home about for the party in power, considering the popularity and the credibility it currently enjoys in the public opinion. What will it be when the wear of time takes its toll? The difficulty for Michel Rocard is to transform likability into voter support. So far, he has not yet succeeded.

Jean-Luc Parodi—The results show a forces ratio of around 48 percent for the Left versus 50 percent for the Right, with the ecologists and the miscellaneous groups sharing the remainder. The ratio can thus be termed balanced—very close to 50-50. But this ratio is more unfavorable to the Left than that of the 1982 cantonals.

Hugues Portelli—With the drop of 1 point below 1982, the Left seems unable to rise again to its 1976 high watermark. This stagnation at a mediocre level is owing, as in 1982, to the Socialist Party's inability to attract to itself the electorate lost by the PCF. In 1982, the PCF's loss of 7 points was not offset by the PS's gain of 2.6 points.

This time around, as well, the PCF's loss of approximately 3 points with respect to 1982 was not offset by the Socialists' zero gain. For the Right, the score of 45 percent represents a loss with respect to 1982 (when the National Front was not a contender), but a consolidation with respect to 1976, in that the gains posted in 1982 were confirmed and placed the Right at its 1960's level.

Colette Ysmal—There's a Rightist/Leftist balance, with each oscillating around 50 percent. This tallies with the trend that was already in evidence last June.

[Question] Is a change in date and way of voting called for?

[Answers omitted]

[Question] Has the PCF slowed its decline?

[Answers]

Francois Goguel—The PCF has undoubtedly slowed its decline, but it has not posted any sizable gains. If it is holding its own, this is owing to some good local positions. Perhaps the PCF was less affected by the abstention rate than other parties. This hypothesis is not to be excluded.

Jerome Jaffre—The PCF obtains different results depending on the types of issues involved—and this is a new fact. The more the issues are political in nature and national in scope, the weaker is the PCF's showing in the election: Thus the presidential election. Inversely, the PCF scores its best results when the elections are local and enable it to draw on its network of notables for support, as in the cantonals and municipals. As was formerly the case with the Radical Party and the SFIO [French Section of the Workers International], the PCF is becoming more of a local party than a national one. The figures are striking: In the presidentials, the PCF represented 15 percent of the total vote of the Left; in the first round of the cantonals, it represented approximately 30 percent. These results will have an important bearing on the municipals next March. On the one hand, the PS will be compelled to wage a campaign based on unity of the Left rather than on an open-door policy. On the other hand, as in 1983, the PS will be faced with the formidable problem of wresting the Communist mayoralties.

Jean-Luc Parodi—In my opinion, there are two ways to view the Communist Party's results. The first, and mistaken, way would be to see in them a steady rise of the PCF, from 6 percent in the presidential election, to 11 percent in the legislatives, to 13 percent in the cantonals—erroneous because the different natures of the issues must be taken into account. The second way, therefore, is to compare the comparable: The PCF lost with respect to 1982 and gained very slightly with respect to 1985. And above all, in the latest cantonals, it did exactly 2 to 2.5 percent better over the preceding legislatives, than in any of the cantonals of the past 25 years.

Yesterday's results mean, therefore, that the PCF has stabilized at around 11 percent at the national level.

Hugues Portelli—The PCF's apparently satisfactory score must be viewed in its proper context: It is owing, above all, to its notables, since the PCF is not slowing its decline in the regions where it has consistently foundered since 1981.

Colette Ysmal—If one compares the score just posted by the PCF with the one it attained in the 1982 cantonals—which involved exactly the same cantons—the PCF's loss of around 3 points represents a further drop. One can hardly say, therefore, that the Communist Party has halted its decline.

Nevertheless, as has already been borne out by the June 1988 legislatives, the PCF makes a stronger showing in

elections in which it can lean on the support provided by its notables. But this "notabilization" of its strength is in keeping neither with the calling nor with the tradition of the Communist movement.

[Question] Is the National Front in distress?

[Answers omitted]

9399

DENMARK

Defense Commission Appoints 3 Study Groups *36130014 Copenhagen BERLINGSKE TIDENDE in Danish 19 Oct 88 p 2*

[Text] The Defense Commission has appointed three study groups to examine in greater detail our security and disarmament policies, burden sharing in NATO, and the possibilities of realizing greater efficiencies in the Armed Forces.

In a meeting of the Defense Commission held on Monday [18 Oct], a decision was made to have a study phase, during which three study groups made up of military and civilian experts are to do the preparatory work necessary before the actual analysis effort can start.

This analysis work will be done in the spring of 1989, and the Defense Commission is to be ready with its report at the end of 1989.

The first of the three study groups is to occupy itself with security and disarmament policies, the second is to work on examining burden sharing in NATO—both today and into the future, and the third group will be engaged in finding greater efficiencies. The last mentioned group will attempt to study if it would be possible to increase the actual combat strength in the Armed Forces by achieving greater efficiencies and reprioritizing.

FEDERAL REPUBLIC OF GERMANY

SPIEGEL Charges EFA Project Driven by Politics, Industry *36200009 Hamburg DER SPIEGEL in German 12 Sep 88 pp 46-65*

[Article by Richard Kiessler and Alexander Szander: "100 Billion in the Wind: How Military People and Lobbyists Put Through the Senseless 'Jaeger 90'"]

[Text]

[Boxed item: In the next decade, the Air Force is supposed to get the fighter and combat aircraft "Jaeger [Fighter] 90" for an enormous sum. The parliament was overwhelmed by the procurement bill; even Christian Democrats feel that they have been tricked by a lobby made up of the defense industry and military people. Hardly a responsible politician in Bonn is now declaring himself in favor of the most costly military project in Europe, but no one has the strength and courage to give up the superfluous plan.]

The staff music corps of the Bundeswehr played the English march "Sons of the Brave." Champagne corks popped and beer foamed out of taps—three valiant defense ministers from Bonn, London, and Rome toasted with skeptical top military leaders, concerned

parliamentarians and happy defense lobbyists their courage for having sealed the building of the most expensive, risky and questionable military project in Europe—the European fighter aircraft "Jaeger 90," called "Euro-fighter" or "EFA" (European fighter aircraft) in England.

The ceremony in the austere Moltke Hall of Bonn's Hardthoehe had by all means to take place on 16 May of this year. Still-Defense Minister Manfred Woerner (CDU) left office 48 hours later; the "father of the project" (Woerner) wanted first to seal the memorandum of understanding with Great Britain and Italy on the development of the wonder bird costing billions.

The farewell present turned out to be a Greek gift for Woerner's successor Rupert Scholz. For the war machine, not even ready on the drawing board, is becoming a symbol for the irresponsible and grotesque wasting of public funds.

The buzz word "Jaeger 90" is evoking a public protest against a government in Bonn that has lost the standards of sound budgeting, against a parliament that is thereby demonstrating its powerlessness, and against a military-industrial complex that is able to put through even objectively senseless political decisions.

The fighter aircraft is supposed to fly beginning in 1997 and remain operationally ready with the Federal Air Force through the year 2025. By the time it is scrapped—if the thing ever flies—the German taxpayers will have to come up with the horrendous sum of more than DM100 billion.

No wonder Woerner's successor Rupert Scholz has doubts; no songs of praise are to be heard from the new head of the Defense Ministry about the decision of his predecessor, who has since advanced to the position of NATO general secretary. Rather the opposite: "I had nothing to do with it."

The new weapon system is not only a gigantic "round-about financing" (Scholz) over decades to keep the German defense industry alive. Politically and financially, it could also turn out to be a disastrous misinvestment, for the "Jaeger 90" is:

- an absurdly false signal in times of new East-West detente;
- "militarily no longer sensible" in view of new, even less expensive defense techniques, as former NATO Gen Gerd Schmuecke objects;
- among the possible alternatives, the decision with, by far, the greatest technical and financial risks.

The project "Jaeger 90" is all the more scandalous in that the CDU-FDP government in Bonn is throwing billions into the defense industry at a time when money is short everywhere.

Not only the excise taxes are rising. The citizens have to stop up the billion [mark] holes in the social funds with higher taxes. The security of pensions is uncertain. Health costs are exploding. There are huge deficits in the unemployment insurance.

The comparison with Ronald Reagan's America is suggesting itself not just to the protestant theologian Dorothee Soelle: "We have to disarm socially to arm militarily."

In addition, despite all their declarations in favor of detente, with the European fighter the majority parties CDU/CSU and FDP in Bonn are about to put up an additional barrier against disarmament. At no time have they allowed themselves to be guided by the opportunity to generate funds for urgently needed civilian tasks through savings in defense.

On the contrary, as the decision for the "Jaeger 90" shows, they are incapable of undertaking timely political changes, of drawing political conclusions from them, and of setting new priorities. They are not able to take the offensive in response to Mikhail Gorbachev's disarmament offers, be it only with a "cooperative defense control" between East and West, as the peace researcher and former general of the Bundeswehr, Wolf Graf Baudassin, has been demanding for years.

Instead of that, they fell victim to the hollow threats of the defense industry that thousands of jobs from Hamburg to Munich were at stake—as though the state funds could not be better diverted to other forms of production and as though unemployment was also being combatted elsewhere with absolutely senseless state expenditures.

Before the overwhelmed parliamentarians in the budget and defense committees could present objections to the mammoth project, the decision had actually long since been made—without a contract, to be sure, but with the power of coercion, against which it is not opportune to protest in Bonn.

In a burst of bitter self-knowledge, the CDU defense expert Willy Wimmer acknowledged: "The representatives had no chance to prevent the "Jaeger 90" after the executive had reached agreement with Franz Josef Strauss and Messerschmidt-Boelkow-Blohm."

Never before have the representatives of the people, not exactly blessed with economic and military-technical expertise, been confronted with their own impotence so blatantly; in this case, the defense industry wields the power. No member of the coalition in parliament openly dared to oppose the cooperation between the top Bavarian, Strauss, who has seen himself as the protector and guardian of the West German aeronautical industry since the mid-1950's, and the procurers in Woerner's Defense Ministry.

Just 2 weeks before the signing of the contract, to be sure, Woerner put on record at a confidential meeting of the Defense Committee in Bonn that he too was "not overjoyed" about making the decision on the "Jaeger 90." But the ink was hardly dry on the memorandum of understanding bound in wine-red imitation leather and Woerner's exuberance was not to be curbed: now, enthused the minister, a "substantial contribution has been made to strengthening conventional combat effectiveness" and a "milestone has been laid for a successful joint European defense effort" in the Western alliance.

He is "firmly convinced," rejoiced the reserve combat flier Woerner, that "the project will be successful technologically, militarily, and financially."

Besides him, almost no one believes that. Only someone who has no doubts about the economic sense of military-technical and defense-industrial state subsidies could talk that way.

Or someone, according to the psychoanalyst, Horst-Eberhard Richter, who experiences a downright "phallic delight in weapons" and succumbs to a "narcissistic fascination" at the sight of war materiel.

Woerner's planning chief, Hans Ruehle, does not wish to be swept along by the jubilation of his employer. He complained that he was "specially ordered" to the signing ceremony "to show a cost-cutting face. Someone has to do it."

On 16 May, however, it was long since too late for that. For it is already apparent today that the official cost estimates—5.85 billion for the development and other 16.5 billion for the purchase of at least 200 Eurofighters—have been embellished to a sickening extent. These sums include neither the above-average inflation rate for military materiel nor any subsequent costs for the time until the planned scrapping in 2025.

The armament—7,800 new rockets alone have to be procured—is not included in this sum. Lacking are the costs for the expensive development of a new European onboard radar system. Naturally excluded are the costs for the training of the air force pilots of the expensive wonder bird—for a new training center in Spain, for example—whereby no one knows whether they are actually up to the physical and mental stresses of the fighter aircraft.

At the end of the adventure, calculated the SPD budget expert, Rudi Walther, the jet will have absorbed DM100-150 billion in tax receipts.

The superbird is on a blind flight into uncertainty technically as well. For today no one can say whether the defense industry can really provide the necessary new materials, production processes, electronic equipment and weapons promptly.

The project JF 90 will eclipse all of the scandalous weapons purchases of the 1960's and 1970's—from the undriveable armored personnel carrier HS 30 and the crash-prone "Starfighter" to the "Tornado" that ran into cost turbulence. At least the parliamentary opposition can rejoice: an investigatory committee of parliament is "firmly programmed," Rudi Walther predicted. It is then that the budgetary and military experts of the coalition will have to answer why they rejected even the warnings of leading military people and of the Federal Audit Office and approved a project that over a period of years will devour some 15 percent of Bonn's military expenditures and more than half of the Air Force's procurement outlay.

When it was already too late, CDU representative Otto Hauser admitted that he was able to agree to the development of the "Jaeger 90" only "with a large bellyache." But he did agree.

The fact that industry knows what is good for the Bundeswehr but not so much what is good for the democratic institutions "touches the self-understanding of the parliament," complains the CDU defense expert Wimmer. But he did agree.

The method is similar to previous procurement projects. The industry, interested in large defense expenditures, is disseminating fabulous proposals in colorful brochures for a fighter aircraft of the "next generation." Shortly thereafter, the military discovers—almost by wish—a new threat from the East and promptly develops a "need" for new war materiel. Defense lobbyists and procurers then talk the government, parliament, and public into the most sophisticated and thus most costly weapon systems, for cheaper alternatives are not considered adequate to the threat.

The MBB concern in Munich had hardly secured for itself the 30-billion contract for more than 300 "Tornado" fighter aircraft for the Bundeswehr when the arms managers began to consider how they could utilize the developed production capacities for further profit and subsidies after the conclusion of the "Tornado" program then planned for 1988. So it was as early as 1975—just a year after the first flight of the "Tornado" prototype—that the project TKF 90 came into being for a tactical combat aircraft of the 1990's.

Just 4 years later, in May 1979, Defense Ministry experts in Bonn formulated a first official "TKF position paper." MBB had already been in the market for a year with pictures and sketches of an aircraft that was to be designed as an interceptor but also function as a fighter bomber.

The design of that time has an amazing similarity with the fighter sketches of 1988. "You can see," boasted the MBB aircraft manager, Carl Peter Fichtmueller, "that we were then miles ahead of the others." The logic is good

the other way around: the defense company MBB, which is soon to be absorbed by the Daimler-Benz concern, was successful in putting through its ideas against its competitors.

So it is also understandable that today's air force requirements for the future fighter agree almost perfectly with promises and enticements of the MBB planners in the 1970's. The political justifications were also preformulated in 1978. Original words of MBB: The basis of the TKF research is "the future threat situation, whose scenario can be represented by the numerical superiority of a potential enemy, his attack-oriented military doctrine and equipment, and his continually improving all-weather combat potential. Since in the German Air Force air/ground tasks will primarily be covered by the (fighter bombers) "Tornado" and "Alpha Jet" in the distant future as well, it is to be expected that a TKF will be used more in the air/air area."

Even today, despite Gorbachev's disarmament offensive, an air force general could hardly express it more precisely militarily. In March, in a classified matter for the specialized committees (AZ 90-15-10/81-00), the air force command staff painted a dreadful picture of the situation with respect to the threat from the East:

"The WP (Warsaw Pact) is in a position at the start of a conflict to employ a total of 5,400 fighter aircraft and helicopters for offensive tasks against targets in central Europe including the Baltic Sea approaches and to deliver about 25,000 tons of ammunition in as many as 10,000 operations per day."

Because of the "increasing offensive capability of the East," the members of the command staff reported "an urgent need for an efficient fighter aircraft."

The one-seat jet is supposed to be able to fire on enemy fighter aircraft with rockets from a long range (70 km) or in close combat with a 27-mm gun in any sort of weather at almost twice the speed of sound in low-altitude flight or at great altitudes (more than 15 km). In addition, on "heavy-duty points" under its delta wings, the "Jaeger 90" is supposed to deliver 4 and ½ tons of bombs or standoff missiles to such targets as radar and air defense positions, troop concentrations and bunkers.

Superfast computers on board the superbird weighing just under 10 tons without weapons are supposed to make possible the simultaneous engaging of several targets. The aircraft could not stay in the air a second without the computers, because its aerodynamic design keeps it aloft only through electronically controlled "artificial stability."

To release bombs and missiles, the pilot no longer even has to press the famous red button. A word ("shoot!") is enough to trigger the fatal shot. The onboard computer reacts to language signals. The two engines each with 90

kilo-Newton thrust will—theoretically—push the fighter vertically into the air after takeoff with only 400 meters of runway and thereby even accelerate it with the afterburner.

This "Jaeger 90" is a marvel and unfortunately reminds one of the automatic electronic war world of the U.S. cruiser Vincennes, whose crew shot down an Iranian "Airbus" at the beginning of June because there was no harmony between man and technology.

The SDP Defense Minister Hans Apel, whom Woerner, Wimmer & Co sharply attacked because of the cost explosion with the "Tornado" bomber and called before an investigatory committee of parliament in 1981, was not convinced by the wonderful promises. He prescribed moderation for his arms planners and ordered his military people to be satisfied with "the second-best solution" (Apel) for once. The "last 10-percent performance of a weapon system," the then-Chief of Staff Juergen Brandt was forced to admit, was "bought at too high a price."

Consequently, in the spring of 1980, Apel announced, to the dismay of the arms managers, that his budget would not include the estimated development costs of DM10 billion for the fighter aircraft. Apel: "There will be no TKF."

The Social Democrat had not counted on Strauss and his Bavarian defense industry, the Air Force and above all his successor, Woerner, a private pilot. For the MBB project that was just barely simmering with "contracts for studies" suddenly got new life right after the change of administration in Bonn.

As early as the end of 1983, Air Force Chief of Staff Eberhard Eimler reached an agreement—"a miracle," rejoiced Woerner at the time—with his comrades from France, Great Britain, Italy, and Spain on a framework for joint "tactical requirements" for a new aircraft.

To be sure—the peace movement was then in full swing and the battle for NATO counterarmament was raging—the child was given a new and more peaceful name: "Jaeger 90." In this way, Woerner and his Eimler wanted to divert attention away from the offensive capabilities of the aircraft.

For as a matter of fact the fighter aircraft is not only supposed to fight where the enemy's air force has bombed holes in the West German lines of the NATO air defense armed with "Patriot" and "HAWK" antiaircraft rockets. The Euro-fighter is primarily supposed to protect the bases of the Western allies' combat bombers and escort them in low-altitude flights deep into enemy territory.

The "Tornado," once praised for its outstanding characteristics in low-altitude flights, has long since ceased being invulnerable: To be sure, it can fly underneath

ground radar, but meanwhile the Soviets have fighter aircraft that can detect the low-altitude aircraft from above and combat it with rockets. The "Jaeger 90" is supposed to keep such enemy aircraft away from the "Tornado," at least until the Soviets have built their equivalent to the "Jaeger 90."

Thus, one defense project is followed by another. Not just the leftwing SPD military politicians Gernot Erler and Katrin Fuchs doubt that this "fighter aircraft with an offensive role" fits into the much-ballyhooed disarmament concept of the Bonn coalition. FDP Foreign Minister Hans-Dietrich Genscher wonders whether the Euro-fighter "is still suitable for our time": for many in NATO and the Warsaw Pact are striving for structures that take away from each other the capability for surprise attacks and infantry invasions.

In the Defense Committee, therefore, Genscher had his party friend Uwe Ronneburger demand that it be possible to reduce or completely give up the procurement project "Jaeger 90" in the case of successful disarmament negotiations. "This possibility," according to Ronneburger in a confidential committee report, "must be reflected in the formulation of the contract."

In the Budget Committee of parliament, even Christian Democrat Bernhard Friedmann supported the Genscher/Ronneburger plan for a "bail-out clause." Woerner ignored the thrust. No abandoning of the project in the event of success in disarmament is provided for in the memorandum of understanding that the defense minister signed 2 weeks after the meetings of the two parliamentary committees.

The partners in the fighter probably would not have gone along with that either. They also have their threat analyses, they also pamper their defense industries, and they also want to secure jobs and are counting on positive results for the economy and business activity.

Air Force Chief of Staff Eimler took an entirely different approach. He expressly wanted to avoid "exotic and expensive solutions"; engines and radar equipment from the United States were supposed to form the basis for an aircraft with progressive European design and up-to-date electronics made in Europe.

The French defense industry naturally did not want to accept such notions about savings, although the head of the Air Force, Henri Gimbert had expressly approved the concept in 1983. Dependence on the Americans is out of the question, according to the arguments of the French aviation lobby later taken over by the government in Paris; the Europeans need to develop everything themselves—under the leadership of the Grande Nation.

Above all the British but also the Germans did not want to submit themselves to French leadership pretensions. The result: the French withdrew from the fighter project

in 1985. Since then they have been pursuing the competing product "Rafale" (gust of wind), which fulfills an important criterion: Relatively simple technology from France's state-controlled aviation concern Dassault can, if it flies, be exported profitably to the crisis regions of the Third World.

After the withdrawal of the French, the British established themselves, as in the preceding "Tornado" program, as the secret project leaders of the program originally intended for more than 800 aircraft. Officially, with 33 percent, they have the same share as the FRG. The rest is divided between Italy (21 percent) and Spain (13 percent); Madrid has not yet signed, however.

Building on the MBB concept of the late 1970's, the British have constructed a prototype of the "Jaeger 90" declared as a "technology carrier," which they presented last week at the aviation show in Farnborough. It also serves them as a justification to claim the technologically demanding parts of the program for themselves and their industry. In this way, British Aerospace secured for itself the contract for the construction of the front part of the aircraft including the novel duck-type wings and the electronically costly cockpit. In addition, the English are providing the complete electric system and the fuel system.

The West German arms firms, led by MBB and Dornier, are supposed to form the middle part of the fuselage and the rudder unit out of plastic. It can be derived from an MBB "background information" that the FRG is also being allowed to handle technologically less demanding tasks such as camouflage, hydraulics and landing gear and is supposed to supply the fixed gun of the "Tornado," already 15 years old. But at least the West German arms companies are permitted to participate in "integrated high-tech teams" for the electronic control system.

Under the massive pressure of the British, the Euro-fighter, originally planned by Eimler to have an empty weight of 8 and a half tons, became more and more complicated, heavier and more expensive. According to air force calculations, every additional kilogram costs at least DM4,500. With this alone, each aircraft will cost an additional 6.7 million and the entire project about DM5.4 billion more.

Therefore, the upper cost limit proudly announced by the Air Force in 1983—the price of the fighter was supposed to be no more than two-thirds of that of the "Tornado," that is, about DM65 million per aircraft—has long since been violated: the Defense Ministry is now giving parliament a system price of DM83.2 million. And it certainly will not stop there. Because, as defense Undersecretary Manfred Timmermann knows from unfortunate practical experience: "Cost awareness is a foreign word for Messerschmitt-Boelkow-Blohm."

In a confidential report to the Budget Committee of the parliament in Bonn (file number IV 6-9477), the Federal Audit Office accuses the Hardthoehe of having relied exclusively on cost estimates of the defense industry:

"In the opinion of the Federal Audit Office, this estimate does not yet consider a number of facts and risks or does so only inadequately."

On the "quality of industry cost estimates," the auditors cite a 1979 statement of the Defense Ministry, in which the arms bureaucracy of the SPD minister Apel warned that "the industry is inclined...to set the prospective procurement costs at the lowest justifiable limit so that the project will not fail because of doubts that may arise about the possibility of financing it."

Ernst Heuer, vice president of the Federal Audit Office, even sharpened the warnings of his auditors in the Budget Committee: "At the present time, the sky is still the limit in the setting of prices." For the planned DM16.5 billion, however, one could never buy 200 aircraft, but 150 at the most.

The decision put through by the British Government in London—in wonderful harmony with Franz Josef Strauss—to develop a European engine for the fighter is already increasing the price. Grotesque drawback: the turbine "EJ 200" that the Daimler-Benz subsidiary MTU in Munich is helping develop will not be available until 3 years after the maiden flight of the "JF-90" prototype—planned for 1991—at the earliest.

Until then the defense planners want to make do with an interim engine derived from the "Tornado" drive unit. But it still has to be built, for several hundred million marks.

In the Defense Committee, "Jaeger 90" fan Woerner, justified the—as even his military people found—"special risk" of the engine development as follows:

"That is something that the British absolutely wanted, because the engine that was available as a substitute would not meet the performance specifications equally well."

The minister was stretching things quite a bit. For in its report, the Audit Office cites a letter of the industry dated 10 Feb 1988, according to which the American engine GE-404 RM 12 foreseen as an alternative "with clear low-risk adaptability...even meets the German mission performance 25 percent better than the foreseen engine EJ 200."

So there could have been cheaper solutions. "For the extra 2 billion marks that the engine costs," complains Gen Eimler, who in the meantime has been promoted to Deputy NATO Commander in Chief, "it would have been better to buy more aircraft."

Certainly, the interests of the prestigious British concern Rolls-Royce and of MTU were at stake. After all, 54.6 percent of the German fighter orders go to the homeland of Strauss. The MTU also had a strong advocate in him: "Franz Josef," remembered his crony Erich Riedl (CSU), obviously truthfully, "tells me all the time: 'Erich, don't forget the engine construction.'"

Riedl, coming from Munich, sits in a strategically important position for the Bavarian aviation branch: Strauss has installed him as parliamentary under secretary in the Federal Ministry for Economics and as "coordinator" for aerospace.

Since the plump Riedl has been active there, the West German aerospace industry, which "still depends upon military orders for more than half of its sales" (Riedl), does not have to worry about continuing subsidies. The holes in the federal budget may be ever so large and the cuts in the social network ever so painful but there are always billions in tax receipts for the "Airbus" and for gigantic defense programs such as the "Jaeger 90" or the new German-French attack helicopter "PAH 2" (Bonn's probable share: DM15 billion). Thus, Daimler-Benz was able to make the successful threat that the concern will buy into the arms company MBB only under the condition that the state take over all the financial risks with the "Airbus" and guarantee the mammoth projects "Jaeger 90" and "PAH 2."

Their own aerospace industry is, according to peace researcher Fritz Vilmar, "one of the sacred cows of economic nationalism." Without it, said Woerner quite openly, "we would degenerate into a developing nation."

Just as threadbare as the arguments for a new engine is the assertion of the "Jaeger 90" proponents that there is a threat of "total dependency" upon the leading power United States if the European aircraft builders do not also develop their own radar equipment for the super-bird. In reality, as the report of the Audit Office reveals, it is not so much a matter of technological dependence as of the concern that the Americans could stop the delivery of the radar as soon as the fighter is offered in the world market as a product competing with U.S. fighter aircraft.

To effect savings, the German Air Force wanted to procure the American radar set "APG 65," with which the fleet of today's "Phantom" fighters is also being modernized. After being phased out, the radar systems could have been further used in the "Jaeger 90," Gen Eimler proposed futilely. The Audit Office warned:

"If, however, a new European radar is to be developed for the 'JF 90,' this will lead to great risks in the technical, temporal, financial, and especially military respects."

The doubts are shared by air force officers: after the failure of several major projects for the British Armed Forces, the British electronics industry managing the European radar no longer enjoys such a good reputation.

Nevertheless, it is as good as certain that the European concerns participating in the "Jaeger 90" will put through the costly self-development of the radar system before the end of September. The upper limits to costs generously set by Woerner at DM5.85 billion for the development of the overall system are thereby not worth the paper on which they are written.

Woerner's successor Scholz does, to be sure, see the risks that the mammoth project involves for his budget. But the new boss at the Hardthoehe does not want to jeopardize the "continuity." And he shares the understanding of Alfred Biehle, chairman of the Defense Committee (CSU): "A withdrawal is no longer possible." Scholz: "I have to live with that."

Still, in a work conference right after taking office, the new man forced his defense planners to admit that in the 1990's the Americans could deliver a very comparable and probably less expensive combat aircraft. At this point in time, all alternatives had already been rejected with a trick: The Air Force and the defense industry had set the by no means certain performance of their dream fighter so high that no foreign competitor could keep up.

In addition, the defense minister, just newly installed, has already recognized that in defense procurements he has to do more than just what is militarily necessary. Regional, structural, and research impulses must come from his budget. Thus, according to Scholz, he must "also pursue economic and labor-market policy" with his procurements.

The defense industry is pleased to hear such words. The government and coalition delegates bowed to the fatal argument that without the fighter at least 20,000 jobs would be lost in the FRG. No one asked seriously in the parliamentary committees whether the highly qualified specialists could not be used in civilian areas of production if the state were to shift its research support to these directions. Instead, MBB chief Hanns Arnt Vogels made the Jaeger-90 program into the fatal question for the survival of the West German economy. Without the fighter, he threatened, there will be no "Airbus." When it was a matter of billions in subsidies for the "Airbus," one heard precisely the opposite from Vogels: "Without the 'Airbus' no 'Jaeger 90.'"

CSU air coordinator Riedl was just as audacious in hoodwinking the public and parliament. In a paper that MBB is glad to distribute (title: "'Airbus' needs the fighter"), the learned postal worker raves about the "innovative and radiating effect of the fighter aircraft construction on civilian aircraft construction."

A four-page document by Riedl with the opposite message can be found in the Budget Committee files:

"Today technological progress in the civilian area is so great...that many impulses are already going into the military area. Just as in the automotive branch, the fighter aircraft has lost importance as the "race car" of aviation.

In his latest progress report, Riedl innocently cites an opinion of the consulting firm Arthur D. Little ordered by the Ministry for Economics in Bonn, according to which, on the basis of experiences in the United States:

"Arms and space projects with the primary objective of so-called spin-offs for the civilian and general industrial area are less efficient than direct research support."

The draft of the Riedl report is dated 4 May 1988. That was the day on which the coalition representatives in the budget and defense committees gave their "industry-motivated" approval for the "Jaeger 90," according to FDP budget expert Ursula Seiler-Albring with responsibility for the military budget.

"The promotion of industry to the detriment of the defense budget means a constantly declining material operational readiness of the Bundeswehr," complained Chief of Staff Dieter Wellershoff last year in writing to the cabinet in Bonn. As a warning example for "inappropriate requirements," the admiral cited the cooperative projects, "Jaeger 90" and battle helicopter "PAH 2." "With a German development share of about DM10 billion or more, they will mean that Europe's aeronautical industry will be put in a position to produce systems in the latter half of the 1990's that are more or less already on the market in the United States. The DM10 billion out of Individual Plan 14 (military budget—editor) thus amount to the promotion of industry but not to an increase in the defense capability."

The opinion of the Bundeswehr leadership on the value of the mammoth project could hardly be more devastating; and that at a time when the government in Washington is putting massive pressure on its German allies to increase conventional combat effectiveness and their contribution to the Western military alliance as a whole.

A warning letter from the chief of staff in January 1988 that the defense budget must be increased because of the political considerations with respect to the interests of industry was ignored by the minister, as were corresponding admonitions from Wolfgang Altenburg, Wellershoff's predecessor. Woerner: "I bear responsibility for the project." It obviously is not much of a burden for him now in distant Brussels.

When several parliamentarians asked Chief of Staff Wellershoff and chiefs of the Army, Air Force and Navy what "displacement effects" the "Jaeger 90" costs would have on other Bundeswehr projects, Woerner prohibited

the generals from talking. The people's representatives were not supposed to find out in detail that dozens of other procurement projects will have to be spread out or abandoned completely because there will not be enough money.

Last Wednesday in the budget debate in parliament, when the SPD representative Klaus Dieter Kuehbachner remembered the "Jaeger 90" with the interjection "What arms nonsense!," the Christian Democrat Friedmann lied shamelessly: It has been worked out with industry that cost overruns would "be absorbed from their profit"; if costs rise even further, then "the unit quantity would be reduced."

As if military developments had ever been cut for cost reasons. As if the (supposed) threat from the East changes when the (ostensible) defensive weapon becomes more expensive.

In the field forces, discovered SPD budget man Rudi Walther in barracks visits in his election district, the morale is already miserable: "huge sums" could be written in the wind for the fighter, ordinary soldiers complained to him, "but here 40 men have to share two outhouses."

Jet pilot Woerner also considered objections from representatives that the technical capabilities of the fighter exceed the physical performance capability of the pilots to be no more than latrine rumors. The doubters could, however, cite quite reliable testimony.

The Audit Office, for example, criticized as early as the end of last year the unwillingness of the Hardthoehe to draw conclusions for the "Jaeger 90" from the experiences with the "Tornado." In field service, accordingly, the "Tornado" swing-wing aircraft can still not be flown to its full technical performance capability, for the human load limits were not previously investigated adequately.

The Air Force Flight Medical Institute in Fuerstenfeldbruck has also put together a catalog of "ergonomic requirements." For example, a special pressure suit must be developed for the pilots; otherwise the man in the cockpit will lose consciousness when flying tight curves and will crash.

The feared blackout threatens as soon as the jet pilots are pressed into their seats with seven times their own body weight. The "Jaeger 90" is supposed to exceed this load called "7 g's" in the technical jargon: in tight curves, there will be 9 g's in the future.

But Woerner knew better. When he boasted to representatives that "I myself have flown 8 g's," Walther answered the reckless flier sarcastically: "Now at last I know what happened to your hair."

The episode shows what is important for many friends of the "Jaeger 90." For older soldiers, the Air Force is still considered an elite unit and in the Air Force the fighter and combat aircraft is a myth; in the legend, stories about Baron Manfred von Richthofen or the combat flier Ernst Udet become epic tales of a supposedly upright fight of man against man.

Genscher, once a helper in the Air Force, seems to have noticed that times have changed a little. He says that some military people and their Woerner want to "fight the air battles of World War II over again" with the prestige aircraft.

Lobbyist Riedl himself prophesies that the time of manned fighter aircraft is coming to an end: "The 'JF 90' will obviously be the last high-performance fighter aircraft produced in Europe, because in the long run it is not justifiable to hang aircraft in the sky that can be knocked down with cheap rockets." But perhaps just this once it must be.

Woerner's successor Scholz has also long since understood: "One must ask: Why should we still let people fly around up there?" Just this one time, please.

Almost all of them know better but they do not resist. Neither did the foreign minister seriously oppose the ostentatious project. But Genscher is convinced that at the end of the millenium, when the fighter is operationally ready, there will be new and accurate defensive weapons that turn such a fighter aircraft into scrap, unless new superweapons costing billions are developed first to protect it.

The vice chancellor from the FDP discussed the military and financial risks of the burden of billions left by Woerner in detail with the Social Democrat Walther. Genscher's conclusion: "Herr Walther, we agree that the plane is nonsense."

9746

FINLAND

Submarine Mask Found in Aland Islands Traced to USSR

Used During Emergency Surfacing
36170102b Helsinki UUSI SUOMI in Finnish
2 Aug 88 p 3

[Article: "Aland Diving Mask of Soviet Origin"]

[Text] The diving mask found in the Aland Islands last July is a Soviet one and probably came from a submarine. This kind diving gear is used, for example, when a submarine surfaces in an emergency, say officials at Navy headquarters in Helsinki.

The investigation conducted by the naval staff revealed that the equipment has a mouthpiece, a container of lime granules, and an air bag.

This kind of equipment is used on submarines when surfacing in an emergency. Air blown into the bag is cleaned by the lime and used for breathing. The naval staff says the equipment is not suitable for continual use or for working under water.

Judging from the amount of rust in the gear found in Aland, it had been in the water for some time. The study showed that the markings indicate it is of Soviet origin and about 5 years old. A similar device has been found before in the Gulf of Finland.

The command says that various kinds of materials belonging both to submarines and surface vessels are found every summer along the coasts of Finland. They come from ships of nations bordering the Baltic Sea. As they perform exercises, objects fall into the water and are blown to the shore by winds.

Emergency Surfacing Practiced

According to the general staff, submarine appearances in the Baltic Sea are not that unusual, because except for Finland and East Germany, all other nations on the Baltic Sea have submarines. Submarines travel not only through their own waters, but also in international waterways. The general staff says that submarine training also includes practicing the use of equipment during emergency surfacing.

When a strange object is found, it is important that it not be moved. The command warns that part of the equipment might explode and cause injuries. Finds should be reported either to the police, the Coast Guard, or the defense forces.

Claimed Submarine Sightings Unconfirmed

36170102b Helsinki HELSINGIN SANOMAT
in Finnish 12 Aug 88 p 14

[Text] No additional information has been received as of Thursday regarding a submarine reportedly seen in the Gulf of Finland, and the person who saw it has not contacted officials again.

It was reported to the general staff on Wednesday that a fisherman had sighted a submarine near Emasalo off Porvoo at 10:29 am. The general staff notified the Coast Guard in the Gulf of Finland, and three ships sought the submarine without results. The search was not continued after Thursday.

Commodore Heimo Iivonen, commander of the sea division of the Border Patrol, and Erkki Paukkunen, press secretary for the general staff, emphasized that reports of submarines are being taken seriously and attempts are being made to confirm sightings.

The cost of the searches has been classified under "accounting cases," because the ships would have been in motion even without the submarine searches. It will depend on the equipment used, for example, the cost of a rather small helicopter is estimated at about 24,000 markkas per hour.

Reports of submarines arrive from time to time, "a few each summer," according to Iivonen, but this summer there had been no previous sightings.

Some of the sightings can be confirmed; sometimes by enlarging a photograph enough it has been possible to prove that the "submarine" is a piece of a car, sometimes an error has been caused by a peculiar wave formation. According to Paukkunen, the Harmaja lighthouse can resemble a submarine under certain conditions.

Of course, submarines have moved through Finnish waters before. A sure sighting was recorded in 1982 in Aland, and at time the archipelago Coast Guard drove the ship away with warning bombs.

9611/9604

SPAIN

Programs in FACA Program Detailed 35480011 Madrid CAMBIO 16 in Spanish 3 Oct 88 p 28

[Article by Braulio Calleja: "Not Everything That Glitters Is FACA"]

[Text] Five years after the signing of the FACA [Future Fighter and Attack Aircraft] program, the biggest military contract in recent years, Spanish businessmen feel frustrated because they have not received the transfers of military high technology that the Americans had promised.

CAMBIO 16 has seen an "internal memo" of the Empresa Nacional Santa Barbara de Industrias Militares, S.A. addressed to the General Directorate of Armaments and Materiel of the Defense Ministry. The note from the Palencia company requests "the plans for and lists of equipment for manufacturing the ammunition that the 'F-18' aircraft will use." But the reply from the U.S. military also appears in this office: "They have reported from Washington that the ammunition for the 'F-18' is manufactured only in the United States, and therefore the requested documents cannot be supplied."

This refusal by the Pentagon prompted great displeasure at Air Force Headquarters, where there was comment that if "we can't even produce the ammunition, they're hardly going to let us have the advanced software programs that are the heart of this plane." The aircraft was unveiled last week at the Zaragoza air base during a ceremony attended by King Juan Carlos.

In 1983 the brand-new Socialist administration gave the go-ahead for the FACA project, which entailed an expenditure of more than 300 billion pesetas to acquire 72 "F-18's" from the U.S. Navy.

Along with the contract a compensation accord was signed under which the manufacturer of the aircraft, McDonnell Douglas, and its industrial consortium promised that over a period of 10 years, 1983 to 1993, they would allocate the same amount of money that the planes cost us (300 billion) for investments or purchases of Spanish-industry goods and services. They also pledged to transfer military high technology.

Nevertheless, the spirit of the printed letter was all too soon forgotten. The public and private enterprises in the defense sector have not received the anticipated compensation, and the U.S. administration has rejected Spanish offers to sell arms to the American Army. The Spanish company Esperanza y Cia thus lost a chance to supply the U.S. Marines with mortars.

War of Numbers

Along with this loss of quid pro quos there has been a war of numbers between the Spanish and U.S. governments in discussing the issue of compensation. The first disagreements arose in 1986. While McDonnell Douglas spoke of close to \$492 million in compensation (more than 60 billion pesetas), the Spanish Defense Ministry put the amount at just \$238 million (close to 30 billion pesetas).

Taking part in this war was a crafty New York businessman by the name of Robert Keller, who had already sold his public relations firm to McDonnell Douglas for \$5 million (some 615 million pesetas). Keller counted any trade between Spain and the United States as compensation. In the end, McDonnell Douglas and the Spanish Defense Ministry agreed to meet every 3 months to monitor the economics of the FACA program.

In the wake of these meetings some Spanish firms have managed to participate in the construction of some parts of the "F-18." For example, Ceselsa, on whose Board of Directors sits former Minister Joan Majo, manufactures the flight simulator and the plane's operating program. And CASA [Construcciones Aeronauticas, S.A.] has won the maintenance contract for the American "F-15's" deployed in Europe.

The Spanish Government is now trying to see to it that the electronics and computer industries, which are indispensable for the development of military technology, are not left out of the compensation under the FACA program. So far the U.S. corporation has invested somewhat more than 90 billion pesetas, 18 percent more than stipulated in the 1983 contract.

8743

FINLAND

Sorsa Discusses USSR Trade Prospects Following Recent Talks

36170003 Helsinki SUOMEN KUVALEHTI in Finnish
16 Sep 88 pp 16-17

[Article by Seija Lamberg: "Kalevi Sorsa Following Soviet Trade Agreement: 'There Will Not Be Such Hard Times Anymore'"]

[Text] The Gordian knot of our trade with the Soviets has been undone through an agreement that provides trade between Finland and the Soviet Union with new weapons and new scope.

Foreign Minister Kalevi Sorsa says that there will not again be such hard times.

In a good mood, Foreign Minister Kalevi Sorsa was on his way to a border district seminar in Polvijarvi in eastern Finland toward evening on Monday to speak about the Soviet trade.

On Friday he had signed an agreement on a revision of arrangements for financing trade between Finland and the Soviet Union at a meeting between the chairmen of the two countries' Joint Economic Commission.

The occasion of the signing of the agreement in the Council of State's gala suite in Helsinki was one of sheer celebration. Foreign Minister Sorsa did not hold back a broad grin and Soviet Deputy Premier Vladimir Kamentsev cracked jokes between his statements.

En route to Polvijarvi, Foreign Minister Sorsa expressed his feeling of satisfaction thusly:

"The issue had plagued us and we had been going in circles for such a long time. It was hard to find a solution to it, not only between our two countries, but also internally here among us. In both countries people held views that were pulling us in different directions: those who wanted to stick firmly to the old positions since the matter had finally been resolved before in principle and those who realized that reforms were needed."

To reach an agreement, both countries had to make concessions but, according to Sorsa, the talks could at no point be described as involving any sort of compromise, much less so dispute.

"We had to make the biggest concessions to one another here in Finland," Sorsa quipped, but did not deign to be more specific as to what kinds of concessions he was referring to.

Discussion of Soviet trade here in Finland was particularly heated a year or two ago and the nation's political leadership was criticized for its ineptness in dealing with the issue.

Now Sorsa says that that sort of talk was purely political and, carried to an extreme, it shattered traditional coalitions. They had no effect on trade negotiations and the resolution of differences.

The Agreement

The key points of the agreement that has been signed involve revenue as per the opening of credit lines, interest rates and exchangeable foreign currency for trade between the two countries.

Up to now, this trade has by nature been a barter arrangement and the value of a sale is calculated and paid for in rubles and goods.

In 1987 the Bank of Finland and the Soviet Foreign Trade Bank concluded an agreement on a special account—involving 300 million rubles in accounts receivable—on which interest must be paid. According to the agreement that has just been concluded, the payment of interest will also be obligatory for the clearing account when the balance exceeds 100 million rubles. If the account balance exceeds the 200-million-ruble mark, the portion that exceeds this limit must be paid quarterly in some currency other than the ruble, that is, exchangeable foreign currency.

From now on, trade can also be conducted in markkas and other exchangeable foreign currency in addition to rubles.

In recent years Finland has been the creditor party to the agreement; the Soviet Union's trade debt to Finland is about 4.8 billion markkas. As of the start of 1989, the agreement that has just been signed will protect Finland's accounts receivable from any changes in the exchange rate for the ruble.

Over the past few months product exports from Finland to the Soviet Union have come to a standstill. The volume of trade with the Soviets is based on the price of oil. When it remains lower than the estimated price, Finland's accounts receivable from the Soviet Union increase. Despite our efforts, new imports have not increased to match Finland's accounts receivable. The blocked exports will be reactivated with the aid of credit lines. The Finnish Export Credit will finance exports to the Soviet Union this year and next year with a 2.1-billion-markka loan. It is estimated that exports will already increase this year to about 15 billion markkas, whereas they amounted to less than 14 billion last year.

The backlog of export license applications that has piled up in the License Office will be relieved.

Foreign Minister Sorsa also said that a feeling of instant relief about the agreement was produced among firms and businessmen due to the fact that no ballast from the exports licensed for this year will be carried over into next year.

"This point is, however, only an opening in the bottleneck in comparison with the overall significance of the agreement.

"Its greatest significance lies in the fact that the Soviet trade will now shift to a basis that is acceptable from the international point of view."

With regard to Finland's accounts receivable that have swollen into large amounts and the stagnation of trade, Sorsa said that the 300-billion [as published] ruble special account buffer had a tendency to lead to a certain negligence in trading operations.

"We cannot complain about the way the situation has developed. Remember, the idea of raising the limit so high came from the Finnish side."

Where We Stand in the Competition

As early as 1986—during his term as prime minister—Kalevi Sorsa in a SUOMEN KUVALEHTI interview said that the volume of trade with the Soviets would not decline. At the time many business leaders were predicting that Finland's exports would be reduced by from 20 to 40 percent. Do people in Finland now believe in the Soviet economic reform and that production will increase?

"Perestroika has gotten so far that there is no longer any chance of their turning back. No matter how it is carried out, the fact is it will be carried out in any event. We don't know what the timetable is, nor has it been determined in Moscow either. At any rate, Soviet foreign trade will be moving in the direction of free trade. Almost certainly, in 10 years time Soviet trade will be following a very different course from the one it is on now.

"This is of very great importance. Free foreign exchange trading has up to now accounted for only a small portion of the Soviet Union's total foreign trade volume, about 7 percent, but it is a dynamic portion that will certainly grow," [said] Sorsa in assessing the situation.

"Now even Finnish firms will find it possible to compete in the new free markets of the Soviet Union."

While the traditional clearing trade based on Soviet energy exports, which form the basis of our reciprocal trade, is very advantageous for Finland—and will hopefully remain so in the future—Sorsa thinks it is very important for Finland to participate in hard currency trade.

The Soviet Union may compare us and our products with other countries and make decisions on that basis. This will also induce us to maintain our standards. Finland will be a tough competitor in this trade. We will certainly do well in both quality and price comparisons with other Western countries," Sorsa believes.

He said that in the competition with other Western countries we are already in danger of being trampled underfoot. This is reflected in some relatively small details, like the travel industry. Finnish tourists no longer interest some Moscow hotels in the same way other foreigners do because they obtain hard currency from other countries' tourists, but only rubles from Finns. Being forced out of markets in this way might soon be manifested in other trade sectors too.

New Cooperation

Finns have frequently complained that they find no new items to import from the Soviet Union. Are we now finding some new ones?

"All our wishes are known; they are on shopping lists that have been submitted to the Soviet Union. There will be new ones along with production that is being developed by the Soviet Union. The supply will certainly be more diversified. Among the market economy countries, we are already the number-one importer of machines and equipment, among other products. We have no predilections and we are always looking for new items."

The Soviet Union also hopes to increase cooperation in terms of production and to set in motion joint Finnish-Soviet projects in Finland as well.

Sorsa said that it is important for us to engage in more extensive cooperation than before as early as in the planning stage. Both sides can learn from this.

In the field of joint construction of waterways, he sees the construction of a Keitele-Paijanne canal, among others, as one of the possible construction projects to be executed in Finland that have been discussed. Long deferred in the Council of State, this project would not be executed for the sake of seeking cooperation alone, but because loggers in Central Finland and forest owners in the southern part of Oulu Province, among others, would make use of the canal to float their logs downstream and because it would benefit tourism. -The Soviets know how to build waterways.

Despite the doubts that have been expressed in Finland, Sorsa backs the planned cooperation on and joint ownership of a cellulose plant at Uimaharju, located in Eno, and a paper mill at Laskela, located in the Soviet Union: "We would have sufficiently large operational units on both sides of the border and tree growth for reasonable consumption unimpeded by the border. Enso general manager Pentti Salmi thinks that the projects show bold, creative thinking," Sorsa said.

Now that the Gordian knot of the Soviet trade would appear to be coming undone, are there still any risks left for Finns?

"To be sure, if the price of oil collapses again. Why, only the day after the agreement was signed, we again got the news of a drop in price. When new problems arise, we must only again go on with our deliberations.

"But since with the new system we will now be keeping the balance of payments within bounds and avoiding overcontracting with respect to sales, in the future times will not be as hard for us as they have been up to now."

11466

Finance Minister, Bank Economist on Future EC Ties, Exports

Minister Sees Strengthened Ties

36200007 Bonn DIE WELT in German 20 Sep 88 p 14

[Article by Heinz Stuewe: "DIE WELT Interview: Finnish Minister of Trade & Industry Ilkka Suominen Explains His Country's European Strategy: 'We Are Often Underestimated Abroad'"; date and place of interview not given]

[Text]

[Boxed item: His knowledge of the economy—like that of many politicians—is not based just on plant tours: Ilkka Suominen, 49, the Finnish minister of Trade & Industry, joined his father's leather goods company at age 21, and assumed management of it at age 36. However, his role as chairman of the conservative National Coalition Movement (since 1979) ruled out further activity as an entrepreneur, and Suominen sold the company. In the last parliamentary elections, he led the conservatives to a major success, and, for the first time in 21 years, they returned to the ruling coalition. Suominen is not only a minister, but also the president of Parliament. He has no trouble cultivating the traditionally good contacts between Helsinki and Germany; not only does Suominen speak excellent German, he is also well-acquainted with the FRG. In 1959, Suominen passed his engineering examination at the Gerber School in Reutlingen.]

"The EC? That's no problem for us, but most of all, we are no problem for the EC." Ilkka Suominen enjoys toying with the concept of a nation of 5 million when discussing economic cooperation in Europe. In industry, concerns are expressed more clearly: Without additional agreements with Brussels, the European internal market would be a threat to the Finnish economy, it is thought there. After all, 42 percent of all Finnish exports currently go to the EC.

Two matters of concern that imply others: If in the future public calls for tenders in an EC country are open to companies from other member-states as well, the Finnish economy could be left out in the cold. And if patent

law is standardized throughout the EC, then it could become not only more difficult, but also more expensive for Finnish companies to legally protect their own developments.

With respect to these problems, Suominen notes during his interview with DIE WELT the basic agreement with Brussels. "We have a promise from them that the neutral status of Finland permits further economic integration with the EC." Suominen recalls the goal, often cited in Helsinki, of a European economic zone comprising all of Western Europe, which was formulated in 1984 by a joint ministerial conference of the EC and EFTA.

The EFTA is at the forefront of the three-point strategy that Helsinki is pursuing to adapt to the European internal market. Finland is striving for agreements between the two economic zones on all areas of integration. Suominen: "The EC wants the same rules of the game for all EFTA states—and so do we." In his view, this is not contradictory to the desire by some EFTA states (Austria, Norway) to join the EC.

Only where agreements between the EC and EFTA have not come about—this is point two of the strategy—is Finland pursuing bilateral agreements with Brussels. The open questions in trade policy are in Suominen's view not of a political, but rather a technical nature. He reacts with irritation to the view expressed from time to time that Finland, as a freeloader, wants to enjoy only the advantages of European integration, without sharing in the burdens, such as the development of southern Europe. "Whoever says such a thing demonstrates only mistrust towards Brussels. The people there will know how to protect EC interests. After all, it is obvious that both sides must enjoy advantages."

Finland wants to meet its European partners halfway and grant them the same rights that Finland is claiming from the EC. Suominen concedes a need for greater activity here. "But we are not afraid of opening up." The difficulties have less to do with access to markets, which is guaranteed by the free trade agreement between the EC and EFTA, than with harmonizing taxes. Finland still has a rather old-fashioned sales tax system. Suominen indicates that this will probably be replaced by a value-added tax within the next 2 years.

Restrictions exist first and foremost in the movement of capital. Foreign interests in Finnish companies today are completely freely accordable only up to 20 percent. A permit can be granted upon application for an upper limit of up to 40 percent. Suominen promises relief in this area as well. However, the list of changes desired by Finnish industry is even longer. For example, the federation of industries wants a loosening of restrictions for foreign banks. Moreover, it is in favor of accession to the European currency system. Suominen is unwilling to rule that out for the future. "The possibility is there, but at present there is no need for such a step."

The conservative politician does not fail to depict his country as a fair competitor. "We have never paid out subsidies, we are firm believers in the free-market economy. We even handled the reduction of capacity at the shipyards without state intervention." Over the last 3 years, three shipbuilding enterprises were forced to close, and the number of jobs there dropped from 18,000 to 10,000. And the minister does not rule out the possibility of a further reduction. This is why his complaint about shipbuilding subsidies from the European competition is understandable.

The fact that Finland, despite such concerns, has an unemployment rate of 4 percent is due to an unprecedented economic upswing in recent years. Do Finnish politicians concerned with economics have a secret to their success? Suominen responds with special kinds of locational advantage: a firm free-market foundation ("Although no one abroad believes us capable of it"), a skilled labor force and a "very consensus-oriented society." The most recent evidence: The government, employers and trade unions have agreed on a one percent increase in nominal wages for next year. This is intended to halt the recent escalation in labor costs.

A tax reform, which eliminates many allowances while at the same time lowering the top tax rates also includes a decrease in the corporate tax from 33 to 28 percent. Suominen does not expect this to attract major foreign investors to Finland; the market there is too small.

However, the flow of capital in the opposite direction will continue, he thinks. "The internationalization of our economy is necessary for us," he says, defining the third cornerstone of Finland's European policy. The paper finishing industry, for example, will move closer to its sales markets. Since 1985, Finnish investments in the EC rose from 597 to 900. Suominen is certain that other joint ventures and purchases will follow.

However, he adds that spectacular transactions such as the takeover of SEL's entertainment electronics by the Finnish company Nokia will remain the exception to the rule. Still, for Suominen, that matter is exemplary: "Many people in Germany were surprised that Finland has advanced so far in electronics. We are often underestimated in this regard. Finland is a high-tech country." This is evidenced by the export structure: With total exports of 87.6 billion markkas (DM37.7 billion), the lumber and paper industry account for only 40 percent, while the metals and capital goods industry makes up 38 percent.

Economist Views Export Problems

36200007 Bonn *DIE WELT* in German 20 Sep 88 p 14

[Text] "The boom years, with rapid increases in income, are gone for the time being. Now we are facing a critical phase, with a stricter economic policy and more modest growth," says Kalevi Kosonen, head economist of the Union Bank of Finland in Helsinki, in an interview with

DIE WELT. The economic upswing has been going on for nearly 10 years now. In the 1980's, average annual economic growth has been 3.3 percent, more than double that in the FRG. Per capita income and the standard of living today are only slightly below the German level. Now, however, the signs of crisis are multiplying.

Boosted by overdrawn wage increases of another 9 percent in 1988 and by a high level of consumer debt, inflation will probably rise to 6 percent in 1988. Also disturbing about this is the fact that industrial investments are falling off and capacities are no longer being expanded rapidly enough to keep up with domestic demand.

Thus, Finland's dependence on imports is growing. Exports are still in good shape, especially in the paper finishing industry, but a worldwide decline is expected in 1989-90. Thus, the foreign trade deficit is threatening to swell to 15 billion markkas by 1989, resulting in an "alarming" debt situation, according to Kosonen.

The Finnish shipyards are already in dire straits because of a drop in orders from Moscow, where foreign currency is scarce. In trade with the USSR, where many Finnish industries used to have a near-monopoly as a result of bilateral agreements, Gorbachev's reforms have meant an increase in competition from the West. In this sense, Helsinki is attempting to solidify its position through Finnish-Soviet joint ventures. "To put it in positive terms," says Kosonen, "we have recognized the coming dangers and are bracing ourselves for harder times."

12271

FRANCE

Increased R&D Funding Largely Compensates for Inflation

35190011 Paris *LE MONDE* in French 22 Sep 88 p 17

[Article by Jean-Francois Augereau: "The Research Budget: A 7.6-Percent Increase for 1989"]

[Text] Mr Mitterrand had promised it during his election campaign. Mr Rocard had confirmed it, recalling in June that scientific and technical research, somewhat neglected by Mr Chirac's government, was a "long-term priority investment." Now it's done. Mr Rocard's government has kept its promises and allocated an increased 1989 budget to the Ministry of Research and Technology—plus 7.6 percent in current francs, i.e., far more than required to make up for inflation.

The civil R&D budget, the well-known BCRD, which Mr Chirac's former minister of research, Mr Alain Devaquet, had questioned and replaced by the broader concept of R&D budget effort (EBRD), was allocated a total of Fr42,287 million (compared with Fr39,309 million in 1988) for program authorizations (investments) and

operating expenditures (operating credits and salaries). Similarly, payment appropriations (+7.9 percent) were increased from Fr19,500 million to Fr21,040 million for 1989.

These figures should satisfy the scientific community, which, in 1986, had to bear the brunt of the budget cuts decided by the services of the minister delegate in charge of budget, Mr Alain Juppe. At the time, these cuts accounted for over one half of all canceled appropriations in the state budget, all ministries taken together.

Priority to Employment

This had set the tone, and subsequent budgets did not give research any priority—so much so that BCRD appropriations were increased by only 2.3 percent this year, and it was only through his obstination that Mr Devaquet's successor, Mr Jacques Valade, obtained the creation of 150 researcher jobs. But no new jobs were included in the 1988 budget for engineers, technicians, and administrative personnel (the ITAs), whose numbers were reduced by 0.9 percent although they are badly needed in some sectors.

It is not surprising, therefore, that scientific jobs are given priority in the 1989 budget—a priority that the minister of research, Mr Hubert Curien, had already emphasized by earmarking some of the Fr830 allocated to him by the advance budget decree for the creation of 150 researcher and engineer jobs (LE MONDE dated 10 June). With the new budget, therefore, a total of 918 new jobs will be created. Of these, 600 should be reserved to researchers, the rest to the ITAs, thus offsetting ahead of time the slow aging of the research personnel and the gaps that will be left after the next retirement waves. In addition, 950 promotions are planned—enough to replace those who will retire, with a special effort on grants and allocations to ensure, in Mr Curien's words, "that the young French men and women who are gifted and inclined to pursue a career in research, can do so more easily."

Although it is clear that jobs and appropriations will benefit mainly public organizations of a scientific and technical nature, such as the CNRS [National Center for Scientific Research], the INSERM [National Institute for Health and Medical Research], the INRA [National Institute for Agronomical Research] and the ORSTOM [Bureau of Overseas Scientific and Technical Research], which are, to say the least, in a difficult situation, the minister of research did not forget to provide generously for the Research and Technology Fund. Indeed, it is largely through this fund that he can reorient the research policy toward the goals that he feels deserve some support. As a result, the FRT, which had received an additional Fr500 million in program authorizations last June, will increase from Fr930 million to Fr1,220 million.

GREECE

Trade Deficit Figures Show Large Increase

35210003c Athens I VRADYNI in Greek 6 Sep 88 p 19

[Text] The Bank of Greece reported that the trade balance deficit during the January-July, 7-month period exceeded 4.5 billion dollars in absolute numbers, or it increased by 10 percent. The invisible resources balance also did not follow a satisfactory course during the same period. Specifically, the balance figures during the 7-month period are as follows:

- The foreign currency cost for imports increased by 12 percent and reached a total of 7,926 million dollars compared to 7,085 during 1987.
- The foreign currency inflow from exports increased by 14.5 percent and reached 3,370 million dollars compared to 2,942 in 1987.
- The surplus of the invisible resources balance increased by 14 percent or, in absolute numbers, it increased to 3,485 from 3,067 million dollars in 1987.
- The deficit in the current accounts balance reached 1,071 million dollars compared to 1,085 last year.

The balance of invisible resources in July was not satisfactory since its surplus, compared to July 1987, dropped by 7.5 percent. The tourist exchange, as well as the EEC contribution also dropped in July by 1.2 and 48.0 percent, respectively.

The trade balance deficit was reduced by 14 percent or it dropped to 581 million dollars from 653 in 1987. The current accounts balance showed a surplus of 383 million dollars compared to 367 in 1987.

7520/9274

Satisfactory Rise in Industrial Production Noted

35210002d Athens I KATHIMERINI in Greek
22 Sep 88 p 11

[Text] The rise in industrial production continued in June. According to statistics given out yesterday by the statistical service secretariat general, industrial production in June showed a 10.8 percent increase compared to the corresponding month of 1987. According to these statistics, in the first 6 months of 1988 industrial production showed a 6.1 percent increase compared to the corresponding period of 1987. On the basis of this development, industrial production for the first time in an 8-year period surpassed the 1980 level. More specifically, the production index of mines, industry and electricity and city gas for June 1988 was as follows:

1. The general production index of mines, industry and electricity and city gas showed a 9 percent increase.
2. The mines production index showed a 0.7 percent increase.
3. The industrial production index showed a 10.8 percent increase.

The movement of this index was influenced by (a) the corresponding (rise) development of the following indexes: foodstuffs, beverages, tobacco, shoes and clothing, lumber and cork, printed materials and publications, rubber goods, plastic goods, chemical products, petroleum products, coal, non-metallic ores, basic metallurgical products, metallurgical products, machines and appliances (except for electrical and transportation means) and (b) the corresponding (drop) development of the following indexes: woven goods, furniture, paper, electric machines and appliances, etc. and other industries.

4. The electricity and city gas index showed a 1.3 percent increase.

More specifically, the electricity index (quantitative unweighed index) showed a 1.1 percent increase.

5671

PORTUGAL

Increase Noted in Trade With Spain

35420004b *Lisbon EXPRESSO in Portuguese*
24 Sep 88 p 2 E

[Text] Portuguese exports to Spain this past August were up by about 37 percent over the same period last year, but imports of Spanish products rose even faster—by 51 percent.

Portuguese exports to that country were estimated at 8,700 million pesetas, while the value of imports of Spanish products totaled 15,791 million pesetas, according to data released by the Spanish General Directorate of Customs.

Those figures show that this is the first time since the two countries joined the EEC that Spanish exports to Portugal have grown at a faster rate than Portuguese sales to Spain.

For the first 8 months of this year, the balance is favorable to Portugal, with the rate of cover by Portuguese exports standing at 55 percent—a rise of 3 points.

For 1988 as a whole, Portuguese exports may total more than 137 billion pesetas—a 38-percent increase over 1987—while imports of Spanish products may rise by 28 percent to about 244 billion pesetas, according to the above-mentioned directorate.

11798

Trade Balance Deficit Rising More Slowly

35420004a *Lisbon EXPRESSO in Portuguese*
24 Sep 88 p 4 E

[Text] The trade balance deficit for the first half of this year totaled 326.4 million contos, or 19 percent more than the amount shown in the first report issued by the National Statistics Institute in 1987 and covering the same period last year.

The second quarter of this year was, however, more encouraging than the 3 preceding months. Imports rose at a slower pace, and exports improved, resulting in a slower rate of growth in the deficit. For the 3 months ending in June, exports in terms of escudos were up by 14.2 percent, while imports rose by only 12 percent. For the first half of the year as a whole, the gap between the rise in imports—15.4 percent—and the rise in exports—about 13.7 percent—was even narrower.

For May and June, the average rise in exports was even higher than the average rise in imports. As a result of that improved balance, the rate at which imports (CIF) were covered by exports (FOB) came to 68.2 percent, or close to the 69.2 percent achieved during the first 6 months of last year. It seems, therefore, that the briskness noted in foreign demand is finally beginning to have its positive effects on our sales abroad. The main contributors to the growth in our exports are Spain, the United Kingdom, and France (those three countries alone accounted for 8.7 percent of the 13.7-percent growth noted during the period from January through June), although the chief emphasis is still on the Spanish market, where Portuguese exports improved by 48 percent compared to the same period in 1987.

Exports to the markets of most of the industrialized countries improved between the first and second quarters. The exceptions were the United States and the FRG, where exports declined. In real terms, there was in fact a collapse in Portuguese exports to the American and West German markets during the first 6 months.

The products contributing most to the improvement in sales abroad were plastic products, vehicles, minerals, chemicals, cork products, and paper pulp. In the case of clothing and footwear, sales results during the second quarter were below those for the first 3 months, and the increase for the first half of the year as a whole came to only 12 percent in escudos. On the other hand, sales of textiles have developed more favorably in recent months.

The slowdown in imports extends to most products. Rates of growth in the case of products for industry reveal that domestic industrial activity is continuing its growth, and the same is true of consumption, especially as regards imports of automobiles. Machinery imports from January through June were 27 percent higher than a year earlier, indicating that investment is still quite strong.

This improvement in foreign trade should continue over the next few months, at least as far as exports are concerned. Businessmen have reported a recovery in foreign orders through August, and this means that even better results are expected in the third quarter. But the extent to which that will be able to offset the expected impact of higher import prices due to a more expensive dollar and the price of raw materials remains to be seen.

11798

Industrial Production Rises in 1st Half of 1988

35420004c Lisbon EXPRESSO in Portuguese
24 Sep 88 p 2 E

[Excerpts] The level of industrial production rose by between 5 and 6 percent during the first half of this year, giving us a rate of growth similar to that in Greece and Spain, according to data released this week by the Statistical Office of the Communities (EUROSTAT).

Meanwhile, the National Statistics Office announced this week that demand for the processing industry's products had improved in August. Despite that improvement, however, the economic climate in the processing industry remains less favorable than it was during the second quarter of this year.

11798

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